ESSAYS

IN

Political Economy

DEDICATED TO

CARDINAL GIBBONS

BY PERMISSION.

By MICHAEL CORCORAN, Omaha, Neb.

SINGLE COPIES, 25c.

ESSAYS

IN

POLITICAL ECONOMY.

DEDICATED TO

CARDINAL GIBBONS,

BY PERMISSION.

— BY —

MICHAEL CORCORAN, OMAHA, NEB.

1893
BURKLEY PRINTING COMPANY
OMAHA, NEB.

TO HIS EMINENCE

JAMES CARDINAL GIBBONS, D. D.,

ARCHBISHOP OF BALTIMORE,

These Essays are Respectfully Dedicated,

BECAUSE THE PUBLIC HAVE LONG RECOGNIZED HIS EMINENCE AS THE FOREMOST CHAMPION OF THE RIGHTS OF LABOR, WITHOUT ANY DISPARAGEMENT TO HIS NOBLE BRETHREN IN THE AMERICAN HIERARCHY, OR TO HIS BRETHREN IN THE HIERARCHY THROUGHOUT THE WHOLE UNIVERSE.

By the Author,

MICHAEL CORCORAN.

I accept with thanks your kind proposal to dedicate your work in Political Economy to me. May God reward you for your efforts in behalf of the laboring classes.

[Signed], J. CARD. GIBBONS.

TO MICHAEL CORCORAN, Esq.

"'Never do we perform an act more God-like than when we bring sunshine to hearts that are dark and desolate. Never are we more like to God than when we cause the flowers of joy and of gladness to bloom in souls that were dry and barren before . . . . or, to borrow the words of the pagan Cicero: 'There is no way by which men can approach nearer to the gods than by contributing to the welfare of their fellow-creatures.' "

[These are the concluding words delivered by His Eminence Cardinal Gibbons at the Congress of Religions, during the World's Fair, at Chicago, September, 1893.]

"'Mr. Corcoran quotes from Prof. Sumner's History of American Currency, and winds up a very pleasant article by saying, 'I will prove that Sumner is wrong.' Just as soon as he has verified this last promise Mr. Corcoran will have established himself as an economic writer of the greatest research and utmost vigor."

[Signed], J. STERLING MORTON.

[See letter from Mr. Morton in the Sunday World-Herald, Omaha, June 5th, 1892.]

PRELIMINARY.

If the English Economists had no Divine Message for the severe and outspoken Carlyle, it need not be a matter for surprise if Americans can see no message for themselves in those writings.

Mr. Carlyle wrote in his "Latter-Day Pamphlets": "Respectable Professors: I have pretty well seized what of Divine Message you were sent with to me. Perhaps as small a message, give me leave to say, as ever there was so much noise made about before."

Mr. William G. Sumner, Professor of Political and Social Science in Yale College, in his "History of American Currency," on page 248, writes: "The report of this committee (British Bullion Report of 1810) is perhaps the most important document in financial literature. Its doctrines have been tested both ways, by disbelief and by belief, by experiment of their opposites and by experiment of themselves. They are no longer disputable. They are not matter of opinion or theory, but of demonstration. They are ratified and established as the basis of finance. They may be denied, as the roundness of the earth was denied even five years ago, and as Newton's theory of the solar system was denied until twenty-five years ago, but they have passed the stage when the scientific financier is bound to discuss them."

This is truly crushing. But, without being able to see what the "roundess of the earth" or "Newton's theory" have to do with the subject, let me say, demurely, *e pur si muove*, nevertheless the earth does move, nevertheless the British Bullion Report ought not to be accepted as "the basis of finance," even though, in point of fact, it has been accepted. However, Prof. Sumner deserves respectful consideration for his straightforward and definite proposition; because so much of our current literature is disfigured by a strained affectation of artistic non-committalism. Professor Sumner gives his opponents something

to grapple with. Adam Smith did not call his work "Political Economy," he called it "The Wealth of Nations." Mr. Fawcett held that "Political Economy is concerned with the principles which regulate the production, the distribution, and the exchange of *wealth.*"

It would appear that a study concerned only with wealth is only a science of wealth at best. John Stuart Mill is concerned, as he says, with the same subject and "that subject is wealth." But then he enlarges (on page 13, Prin. Pol. Econ.) and says "Their investigation belongs not to physical, but to moral and social science, and is the object of Political Economy."

Jevons has a theory of Pleasure and Pain. Bastiat, unconsciously infected, has a theory of Harmonies. And so on with the list. And it is to be observed that after one hundred years they do not yet know what they mean by the fundamental terms of what they call a science.

What does all this suggest? It suggests a groping in the dark. It is one of the indications of the stupor produced by so-called modern science which excludes God. Men do not seem able to give a straight answer "Yes" or "No" to the question—are we here or not; are we on our heads or heels; have we free will or not; are we bees, or bats, or beavers, or monkeys, or men, or denizens of the moon? In fact, they do not know their own minds and what they want. We are men, endowed with reason and free will. By our nature, we are not only capable of, but compelled to, choose and direct our own course, and to make our own environments. What *ought* we to do; and Will we not do what we ought to do? That is the question. By virtue of the right which the American constitution gives to every citizen, I want to write some essays in aid of the production of the temporal well-being of the United States of which I am a loyal citizen; and I desire that good for all Nations.

MICHAEL CORCORAN.

804 North Twenty-Third Street,
OMAHA, NEB.

I.

THE SCOPE OF POLITICAL ECONOMY.

In many respects, one of the most satisfactory works on Political Economy, is the volume by Mr. Chas. S. Devas, examiner in political economy at the Royal University of Ireland.

It is one of the "Stonyhurst Series." As may be expected, therefore, it is a work which belongs to that growing Ethical School which seems already assured of a complete mastery over its rivals—the Abstract, the Socialist, and the Historical. The declaration, by the learned Mr. Devas, contained in his preface, is unmistakable and uncompromising. And, furthermore, it is noteworthy, because of the learned men whose assistance he acknowledges. After expressing his thanks to "the Rev. Michael Maher of the Society of Jesus," he says: "I wish also to acknowledge my obligations to the writings of two German Fathers of the same Society, namely to Father Julius Costa-Rosetti's 'Grundlagen der Nationalokonomie' for the intricate matters of value and price; and to Father Theodore Meyer's 'Jus Naturae' for the history of general ethics on which the history of economics rests, and without which it would be unintelligible."

Now in another volume of the Stonyhurst series "Logic—by Richard F. Clarke, S.J.," we read on page 3: "The connection between correct thought and correct language is so intimate, that any branch of knowledge which treats of the one must to some extent include the other." Again, on page 14, we read: "It is true to say that we cannot think a thought without logic having a

control over it;" and, further, on page 194, he says: "One of the most fruitful sources of human error is a misty, indistinct apprehension of the meaning of the terms we use."

This "fruitful source of error" has been pointed out, most forcibly, by Gardinal Gibbons, Cardinal Newman, by Professor Fawcett and many other leading economists.

But the evil is not remedied. Not only do we not find agreement in the "meaning of the terms we use," but we do not find agreement as to whether the "science" of political economy is a science at all or not. In Webster's Dictionary we find that the word "Economy" signifies the system by which anything is managed. And the word "Politics" relates to government.

Now, even here the word "economy" is ambiguous. There is the economy of nature, which we *may* observe, but which we *can not* interfere with; we know it would be futile for us to say that it ought to be otherwise.

Here, we must nip the quibble in the bud—to change the course of a stream is not to interfere with the economy of nature. The water still follows the economy of nature. We may boil the water, we may evaporate it, we may freeze it. The water still follows the economy of nature.

But in the economy of human society we *must interfere*, we *must* say that it ought to be otherwise, we *must* regulate it with our *free will* for the economy of *human society* cannot work, for good or for ill, without our *free will*.

Therefore, to study the economy of human society as we study the economy of a bee hive, or the habits of ants, or the life of plants, would be absurd. The Rev. Richard Clarke, S. J., clearly explains the distinction between Science and Art. He says: "The end of Science may be practical, but it is never productive, or rather, as soon as it aims at production it passes into an art." In the study

of political economy, we aim at production, and at nothing else.

We have not to study political economy, as we study and examine the animalculae in water, saying "how funny!" and "how wonderful!" and there is the end of it. Men are not animalculae in water. This is what we have to study: How can we produce benefit to the society in which we live?

We have to consider questions of *justice*, and *justice* must hold sway in all things, and *justice* belongs to the science of morals. We have to consider public works—such as roads, bridges, canals, harbors—but these belong, in part, to the science of engineering. We have to consider agriculture, but that is a science in itself. We have to consider the widest possible extension of the ownership of land; naval and military defense; banking, currency, taxation, trade and commerce; but here are a variety of questions. We have to consider transportation, and how a greater or less facility of transportation affects the general well-being.

In fine we have not to call for the advice of the masters in *one* science *only*. We have to apply the collective knowledge of all the sciences, which can be made available, for the temporal well-being of society, subject, of course, as reason demands, to the Science of Sciences—the *knowledge of the revealed will of God.*

Such is the aim of our study—to *produce the well-being of society.* But a study "as soon as it aims at production, it passes into an art."

We have not to study one science *only.* We have not to put in practice *one science only;* we have to put in practice many sciences. Thus we need the aid of many scientists.

Mr. Devas says: "Political Economy is the name commonly given in England to economic science, one of

the moral, or ethical sciences which have as their subject matter the free actions of men."

Now, while we admit that "the free actions of men" form the "subject matter" of Political Economy, it is not evident to us that it should be called a moral or ethical science, instead of saying that it is *partly*, not exclusively, an ethical science. For instance, morals do not enter into the abstract consideration of value, using the term as synonymous with market price, when we are simply examining the evidence, with a view of ascertaining what causes produce, or are likely to produce, a change in value or market price, *e. g.* the purchase of Suez Canal shares by the English Government; or the construction of a canal by the American Government, to connect the Pacific and Atlantic Oceans.

But changes in the market price greatly influence the free actions of men. Morals do not enter into the sciences of chemistry, botany, geology, mineralogy, civil engineering, electricity, astronomy, mechanics, or mathematics. Yet, these and other things greatly influence the free actions of men.

Mr. Devas says, truly, on page 537 of his "Political Economy": "Much has been written on the scope and method of Political Economy, that is, on the position of economic science among the other sciences, and on the logical procedure by which the conclusions of this science are to be reached. But, though much has been written, no agreement has been come to; a misfortune due principally to two causes. The *first* is the want of agreement on the meaning of words and the subsequent misunderstandings which never could have arisen had there been a recognized philosophical vocabulary. But the second reason for disagreement is much graver than a mere misunderstanding, being nothing less than a fundamental divergence on the first principles of ethics." Yes, indeed.

And hence we see that men who clearly perceive and denounce, on ethical grounds, the unjust proposals of Socialists who would rob the rich through legislation, nevertheless, do not perceive or denounce the unjust proposals of the rich who would rob the poor, indirectly, through legislation.

God has declared for all time that "oppression of the poor and defrauding the laborer of his hire are sins which cry to heaven for vengeance." Has there never been legislation which had for effect, and was so intended, to oppress the poor and to defraud the laborer of his hire? We all know that there has been such legislation. Furthermore, but for unjust legislation there would be no social question. There would be no upheaving of the masses. Yes, indeed, alas, "the fundamental divergence on the first principles of ethics" has caused the rich to prevent justice being done to the masses through legislation. What are the masses upheaving against? A myth? Not at all. They are uprising against the oppression of unjust laws. It is because Christianity does not rule that we have unjust laws.

Yes! let us speak plainly, for the crisis is momentous, *the sins of a perverse and adulterous generation* have so deadened all sense of justice in the rich, that the whole world, at this moment, groans beneath an intolerable oppression. Behold the yoke which has been exchanged for the reasonable rule of the church which Christ established on earth!

Who can deny it? Listen! Our Holy Father Pope Leo XIII, in his Encyclical Letter on "The Condition of Labor" says: "The momentous seriousness of the present state of things just now fills every mind with painful apprehension; wise men discuss it; practical men propose schemes; popular meetings, legislatures, and sovereign

princes, all are occupied with it—and there is nothing which has a deeper hold on public attention."

But that is not enough, for Pope Leo says, again: "But all agree, and there can be no question whatever, that some remedy must be found, *and quickly found*, for the misery and wretchedness which press so heavily at this moment on a large majority of the very poor," and again, "*public* institutions and the laws *have repudiated the ancient religion.*"

And once more Pope Leo says: "It cannot, however, be doubted that to attain the purpose of which we treat, not only the Church, but all human means *must* conspire. All who are concerned in the matter must be of one mind and must act together. It is in this as in the Providence which governs the world; results do not happen save where all the causes co-operate."

Again: "At this moment the condition of the working population is the question of the hour; and *nothing can be of higher interest to all classes of the state than that it should be rightly and reasonably decided.*"

In another passage Pope Leo writes: "The first duty therefore, of the rulers of the State, should be to make sure that the laws and institutions, the general character and administration of the commonwealth, shall be such as to produce of themselves public well-being and private prosperity. This is the proper office of wise statesmanship and the work of the heads of the State. Now a State chiefly prospers and flourishes by morality, by well-regulated family life, by respect for religion and *justice*, by the moderation and equal distribution of the public burdens, by the progress of the arts and of trade, by the abundant yield of the land—by everything which makes the citizens better and happier. Here, then, it is in the power of a ruler to benefit every order of the state, and amongst the rest to promote in the highest degree the interests of the

poor; and this by virtue of his office, and without being exposed to any suspicion of undue interference—for it is the *province of the commonwealth* to consult for the common good. And the more that is done for the *working population* by the *general laws* of the *country*, the less need will there be to seek for particular means to relieve them. There is another and a deeper consideration which must not be lost sight of. To the State the interests of all are equal, whether high or low. The poor are members of the national community equally with the rich; they are real component parts, living parts, which make up, through the family, the living body; and it need hardly be said that they are by far the majority. It would be irrational to neglect one portion of the citizens and to favor another; and therefore the public administration must duly and solicitously provide for the welfare and the comfort of the *working people*, or else that *law of justice* will be violated which ordains that each shall have his due."

Now the first point we will note is that these most momentous words are in direct and irrevocable opposition to *laissez faire*, which is the cardinal principle of the current *English* Political Economy.

The Encyclical, then, may be considered as a grasping, by a master mind, of the whole subject of Political Economy.

The Rev. Richard F. Clarke, in his "Logic," on page 19, very happily marks the distinction between Science and Art, for speaking of the Science of Medicine he says: "But it is not an art until the practical science is put into practice with a view of producing certain definite results hitherto non-existent, of producing strength where before there was weakness, health where before there was disease."

Summing up the argument, it seems justifiable to say that Political Economy would be more philosophically

defined as an art—the art of practically applying all the sciences, in the government of human society, with the view of producing improved health in the body politic, or in other words, with a view of producing temporal prosperity and happiness.

II.

VALUE.

Since we saw at the very beginning of our study that "One of the most fruitful sources of human error is a misty, indistinct apprehension of the meaning of the terms we use," let us consider the meaning which would be the most philosophical, to adopt in Political Economy, for the word "*value*."

It is true that to write clearly, we must think clearly. And to interchange ideas, with satisfactory results, we must have a clear agreement as to the meaning of our words.

Let us try to bring about that agreement. We put the matter in this way, advisedly.

For words are conventional, or are used by common consent, as signs to represent our ideas.

Of course, in this, as in everything else, we ought to be reasonable, for we are rational beings.

We leave it, very cheerfully, to the philologists to say what *was* the meaning of a given word, at a particular period in the past, or in a particular country in times past.

We are concerned in the question—what ought to be the meaning agreed upon, in order to be philosophical and consistent throughout.

Mr. Senior, in his appendix to Whately's "Logic," has well written "As value is the only relation with which Political Economy is conversant, we might expect all economists to be agreed as to its meaning. There is no subject as to which they are less agreed."

Professor Fawcett, M. P., says: "Value is a relative expression and implies comparison." In his "Manual of Political Economy," page 315, he says: "Many of the most widespread errors arise from confusing the words value and price." Perhaps it would be more true to say that the errors arise from not discarding the word value and *using* the word *price* instead. On page 316 he says: "Price is a particular kind of value." Again, on page 349, he says: "The investigation of a subject which must always be complicated is rendered more difficult by speaking of the value of a commodity instead of its price; *the public almost invariably* speak of the *price* of a commodity, and seldom consider its value by directly estimating the quantity of every other commodity for which it will exchange."

Mr. Devas writes, on page 209, of his "Political Economy": "Surrounded with these pitfalls, let the student ever keep in mind as his safeguard the following brief proposition: (a) That the only measure of value is price. (b) That if we seek precision, we should speak of prices not of values." With this we cordially agree.

Professor Jevons prides himself on having discarded the term value altogether, and using the term "ratio of exchange instead."

John Stuart Mill, in his "Principles of Political Economy," Book III, page 265, says: "The word value, when used without adjunct, always means, in Political Economy, value in exchange; or as it has been called by Adam Smith and his successors, exchangeable value, a phrase which no amount of authority that can be quoted for it can make other than bad English. Mr. De Quincey substitutes the term Exchange Value which is unexceptionable."

But "exchange value" and "ratio of exchange," when *precisely* expressed are nothing else than the *market price.*

Furthermore, Mill says, on page 297: "It is unfortunate that in the very outset of the subject we have to clear from our path a formidable ambiguity of language. The value of money is to appearance an expression as precise, as free from possibility of misunderstanding, as any in science. The value of a thing is what it will exchange for; the value of money is what money will exchange for."

Henri Cernuschi, in his evidence before the United States Monetary Commission, February, 1887, says, page 7: "I will give you my definition of money: Money is a *value* created by law to be a scale of valuation and a valid tender for payments."

Then he says: "This fact, that money is a value created by law, is one of great importance, and I can cite you the highest authorities in proof that what I say is true. Mr. Chairman, the doctrine that money is a value created by law was promulgated twenty-two centuries ago. It was advanced by Aristotle, the great philosopher—so practical and so positive that I would dare call him an American philosopher. I quote from his writings: 'Money (*nomisma* in Greek) by itself is but a frivolity, a futility, a trifle, and has value only by law (*nomos* in Greek), and not by nature: so that a change of convention between those who use it is sufficient to deprive it of all its value and power to satisfy all our wants (Politica). In virtue of a voluntary convention, money (*nomisma*) has become the medium of exchange. We say 'nomisma' because it is not so by nature, but by law 'nomos,' and because it is in our power to change it and render it useless (Ethica).'"

Now let us give this some careful study. We have to consider the definition of money given by M. Cernuschi, and the doctrine of Aristotle.

For what purpose do we read Aristotle? Is it, simply, that we may commit to memory the teachings of

Aristotle, as if he were divine, and that we may assent to all his doctrines: or is it that we may strictly analyze, in order to see how much is true, and how much is error: and then, that we may retain the true and discard the error? Surely, we must analyze, for we are not devoid of reason, and his words are not divine revelation. Now M. Cernuschi says "money *is* a value created by law." Aristotle says "Money *has* value only by law." These two statements are essentially different. It is one thing to say money is; quite another to say money has. The statement of Aristotle is questionable. The statement of Cernuschi is absurd. The effect would be very ludicrous, if Cernuschi were to say he *is* a hat, instead of saying he *has* a hat. Now, as to the doctrine of Aristotle, much defect is visible in it. Thus: "money is a futility" and "has value only by law." But money, *qua* money, does not come into existence except by law. Therefore money by itself can never be a futility: for a thing cannot both be and not be at one and the same time. Money cannot be a thing which has value, and a futility, at one and the same time. Money is not a natural thing. Money is a legal thing—a legal instrument. The instrument is made, and has been made, in the world's history, of more than one material.

Then Aristotle says: "Has value *only* by law." What is value? Value is an effect. Is law exclusively the cause? Let us see. Since value is an effect, let us ask what kind of an effect? It is an effect produced in the mind, a vague, relative estimate of things. It takes definite and exact, outward, concrete, form in the proportionate exchange of things, or, to use precise and therefore the most scientific terms, in market price.

Let us ask what is the proximate cause of concrete value or market price? The proximate cause of value or market price, is the offer of something accompanied

by the request or demand for that thing which before had no value or market price. That request or demand is called now the "effective demand," a clear and useful term. Thus "effective demand" is the proximate cause of value. Trace this back. What is the cause of the "effective demand?" We see at once that desire—desire to possess—is the cause. What causes this desire? Admiration of the thing desired. What causes this admiration? A perception of the qualities of the thing and of the uses to which those can put it who admire and desire it. Then an offer of something is made for the thing desired, and value, which before did not exist, now comes into being. We have come to the last analysis. The first cause of value is the perception of the qualities of the thing and of its usefulness. The proximate cause of value is the "effective demand." This thing may have been created by God, in the order of nature, or it may have been made by man artificially. In either case it is effectively demanded by men because they perceive that they can put it to use. In order to make a thing have value, the law must make a thing which men will desire and effectively demand for the uses to which they can put that thing.

Now money is a legal thing, a legal instrument made by law. Has it "value *only* by law?" Manifestly not. It has, manifestly, its value, partly by law and partly by effective demand. The maker and the demander partly cause the effect—value or market price. But can we say, even now, that we have seen all the causes, the "only" causes of value? Let us continue to investigate and to analyze. The thing made by law may be of different materials. It is clear that money made of some materials can draw forth effective demand only for the use of it as money. Money of other materials may have value also because of the material, which men can put to other uses.

This much is certain : that no money can pass which is not esteemed, admired and eagerly desired. No government can overcome the absence of those requisites.

Every child knows that goods cannot be sold if no one wants them. No trader will retain in his store goods which no one wants.

Now value does not come into being by nature. The value of a thing does not begin to be, until some one wants or desires that thing. But that is not enough. *Some one must offer something for it, before that thing can begin to have value.* Needless to say the thing offered must be desired.

Now when a government makes and issues money, no matter of what material the money may be made, it can not begin to have value until some one offers a valuable thing for that money. Thus it is plainly not true to say that money "has value *only* by law." Money has value partly by law, partly by effective demand, partly by subcauses affecting the supply and the demand.

Times may change, place may change, and men may find that the use to which they can put the inferior material far exceeds the use to which they can put the superior material ; and thus they may come forward with a far greater effective demand for the money made of the so-called inferior material. Thus the material previously called inferior might come to have the greater value. Again the material may be produced with greater or less labor, with greater or less expenditure of other material, in greater or less abundance. The supply might be increased or decreased, absolutely, or relatively. Those who make the effective demand might bid against each other, endeavoring to obtain possession. Some men might hoard the thing desired, whether money or some natural commodity, such as wheat. The law might make a thing in such foolish abundance as to destroy its usefulness. That

would tend to destroy the value either entirely or in part. There was one year that nature produced such an abundant supply of herrings in Dublin Bay that they were looked upon with contempt, trampled on and used as manure. The effective demand was not sufficient to give them much value or much market price, although the great supply was just as nutritious in quality as any previous small supply. They were perishable goods and could not be used quickly enough.

Thus we see there are many factors partly creating value, partly increasing value, partly lessening or tending to destroy value, and we can not at all assent to the proposition of Aristotle that "money has value *only* by law." It is too sweeping. Money (*qua* money) has *existence* only by law.

Now when Aristotle says "so that a change of convention between those who use it (money) is sufficient to deprive it of all its value," we must note that the term "convention" is ambiguous. It may mean unwritten convention or custom; or it may mean legal or written convention. If a legal convention we have seen that the proposition is not tenable. If change in the unwritten convention, or custom, follow the change in the legal convention then it is perfectly clear—manifest to the dullest intelligence—that the thing which has been subjected to that change cannot retain any value. A thing can have no value if no one gives anything for it.

A thing can have no value when no one uses it. Again a thing can have no value—water or air for instance—as long as men can have it without making an effective demand for it, without having to offer anything in exchange for it.

From this point of view we are led to consider what some men say as to value. They say that cost of production determines value; that labor causes or creates value.

Now value did not exist from the beginning. That is manifest. When men fed, clothed, and sheltered themselves with the product of their own labor, directly, there was no value in the world. Not until the first exchanges took place, not until the first man offered some of the product of his labor to his neighbor and asked or demanded effectively that his neighbor would give him some of the product of his labor, not until then did value begin to be.

Thus labor did not create value. The effective demand meeting with limited supply owned by another created value. Then men began to labor and to collect commodities, in order to secure other commodities in exchange, as well as for the purpose for which they labored previously.

Then there came a time when gold and silver were first discovered. We may assume that when examined they were admired for such of their qualities as were then perceived. When the first finder, as we may also assume, showed his gold and silver to his neighbor, the neighbor admired them and perhaps asked for some. But that was not enough. He then made an effective demand for some of the gold and silver, he offered a horse, we will say, or some other goods. The exchange was made and then for the first time the value of gold and silver was created.

The exchange of horse for cow was barter. The exchange of corn, for horse, cow, and sheep, was barter. Then the exchange of horse for gold and silver was still, essentially, *barter*.

In the lapse of time the gold and silver came to be coined, stamped, and called "money" by law.

Then money was exchanged for horse. It was still, essentially, *barter*. Commodities were bartered, directly, for money, and money for commodities.

Now when this gold and silver came to be coined, stamped, and called money by law, it had value previously created.

The law, alone, did not create the value. The law did not *create* the value at all. The law increased the value. It might, perhaps, be said that the law created the new or increased value. But, granting that the law thus created part of the total value, still, it can not be truly said that "money has value *only* by law."

Then when men labored to obtain some good which had value or market price the labor was not the cause or creator of value, on the contrary, the value or market price was the cause of labor. Value was the banner with the strange device "Excelsior," beckoning the toiler, and alluring him on and on, and urging him to ascend to greater and still greater heights. The value or market price of labor is the *prize*, thenceforward, for which men strive and toil and waste away, by unceasing strain, their fragile frames.

The horses which enter the enclosure for the race do not cause the prize to come into existence, but the prize causes the owners of the horses to enter them for the race. Or, if we must be very strict, the prospect of a prize causes the owners of the horses to enter them.

But it may, perhaps, be true to say that labor and cost of production which are themselves the effect of value, being caused or brought into being by value, in turn become the cause of new value. Labor may become more skillful, or cost of production may be increased for improved implements or machinery, and the product may secure a higher value.

Again that combination may multiply the product so as to lessen the value of the product and yet labor may secure the same reward as before.

From all this we cannot possibly say that labor is the sole creator of value.

Whether this is, or is not, a fact, it is a truth to be ascertained by the light of human reason alone, and

depends upon its own proper evidence. The most that can be said, on the evidence we have, is that labor and the cost of production have both a share in causing *some new* value. But to recognize this truth, and to endeavor to think accurately, does not in any way obscure the moral truth that labor should obtain a just share of the prize for which it contended.

We may, however, safely assent, it seems to me, to this proposition: That prospective value or market price is the chief cause of, or inducement for, all production.

There are some men who say, with a sickly smile, that the value of gold never changes, is invariable. But by "value" they mean not the value but quality of brightness, or of yellowness, or of malleability, or of indestructibility, or all these qualities combined. But "value" is a word which does not express the intrinsic qualities of anything. It expresses a relation between things. And the relation between things, in Economy, is their relative market price.

Thus market price expresses the relationship between things, or between money and commodities. And "value" expresses the relationship between commodities. And as things which are equal to the same thing are equal to one another, and as market price and value both express, or are equal to, the same thing—the relationship between commodities and money—therefore, market price and value are equal to one another.

Thus the value of bread is not its nutritous qualities, or its constituent elements, or the use which is made of it by man, to sustain life, but its value is its market price. And so, also, with water, its value, where such exists, is its market price. Where there is no market price for water, there, water has no value.

Again if "value" is a vague term, and it is admitted to be vague, indeed, it is manifestly vague and ambiguous,

then it is an unscientific term. For "scientific" means exactness, as opposed to vagueness—exact knowledge as opposed to vague knowledge. But "value" is vague: therefore, "value" is opposed to "scientific" as a term in Political Economy.

Now, in close connection with our present argument, we may observe that: Everything which alters supply and demand tends to alter value: But the currency laws of the United States alter supply and demand: Therefore the currency laws of the United States alter or tend to alter value.

A great mistake is often made by comparing the yard-stick, as a standard of length, with money as a standard of value.

A standard is something held aloft before men for comparison. In the present day it is, here and now, something more.

Nothing is recognized as a standard of length except a legal standard of length.

Nothing is recognized as a standard of value except a legal standard of value.

In both cases we have, so to speak, one *thing* for comparison.

In length we have an abstract thing—three feet.

In value we have a concrete thing—*money*.

The abstract thing—length—is fixed, absolutely, by law, and never varies.

The standard of value is fixed, as to essentials, *legal, and one thing* invariably held aloft, as a standard for comparison of values. That one thing is *money*.

Commodities are never compared to any thing else except *money*, in order to ascertain their values. And they are compared to *legal money*, and to legal money exclusively.

In this sense then, that we have exclusively one thing, and always, and invariably, that one thing, *money*, in this sense we have a *fixed* standard of value.

Nothing is recognized as money except legal money.

Nothing is legal money except that which is full legal tender for all debts, both public and private.

And currency, whether gold, silver or paper, which is not full legal tender for all debts public or private, is not only not money, but it is not even a true substitute for money. Currency, which is not full legal tender, is a *demand for money* and not money itself.

As long as silver or paper must be redeemed in gold they are not money. Money is not redeemable. That which is redeemable is not *money*. The tender of money, and of *money alone*, is the redemption of debt. Debt can not be redeemed by any other means except by the tender of money. But money is not a natural thing. Money (*qua* money) is essentially and exclusively a legal thing.

But, while we can have a fixed standard of value—*money*, we cannot have a fixed value of money, by law, or by any other means on earth. The idea is absurd, absolutely ridiculous.

Value, as we have seen, expresses a relation between commodities, which relation is changing every hour in the day faster than the telegraph can announce the changes.

And now, in view of all this, if we desire, and we ought to desire, and God knows we do desire, to extend, as widely as possible, private ownership of property in land, amongst the masses of the people, then we must issue *bonds*, we must borrow money. But we see, alas, that money is steadily and surely appreciating in value, and must continue to do so, as long as redemption in gold is insisted upon, by law, for any debt whatever.

It is criminal folly, or lunacy, to propose to borrow money, on long time, with a steadily appreciating currency. Thus the money question blocks the way.

But our Most Holy Father Pope Leo XIII wrote in his "Encyclical Letter on the Condition of Labor," in regard to property in *land* as follows: "On the other side there is the needy and powerless multitude, sore and suffering, always ready for disturbance. If working people can be encouraged to look forward to obtaining a share in the land, the result will be that the gulf between vast wealth and deep poverty will be bridged over, and the two orders brought nearer together. Another consequence will be the greater abundance of the fruits of the earth. Men will always work harder and more readily when they work on that which is their own; nay, they learn to love the very soil which yields in response to the labor of their hands, not only food to eat, but an abundance of the good things for themselves and those that are dear to them. It is evident how such a spirit of willing labor would add to the produce of the earth and to the wealth of the community. And a third advantage would arise from this: men would cling to the country in which they were born; for no one would exchange his country for a foreign land if his own afforded him the means of living a tolerable and happy life. These three important benefits, however, can only be expected on the condition that a man's means be not drained and exhausted by excessive taxation. The right to possess private property is from nature, not from man; and the state has only the right to regulate its use in the interests of the public good, but by no means to abolish it altogether. The state is therefore unjust and cruel, if, in the name of taxation, it deprives the private owner of more than is just."

If then it be unjust to tax the holder of land to the "full rental value," as the single-tax men propose, and to

tax directly, by law, so that all men can at least see at a glance how much tax has been imposed; is it not unjust to tax the holder of land, indirectly by law, to the half, or more, of the capital value of his land and goods, unperceived by the laboring masses, through currency laws which cause a steady appreciation of money? Then what injustice to all tax-payers? What injustice to those who have mortgaged their land on long time? What injustice to those who would wish to buy land on long time? What injustice to those states, cities, and counties, who would wish to borrow money on long time for improvements or for schools? And all this done by legislation, willfully and deliberately, adverted to with full knowledge, before the whole world, as to what would be the effects of such legislation.

And yet there are not wanting those who say that the money question is not a moral question, but a business question.

What? Is justice not a moral question? What is a moral question? Tell us, oh! ye scribes and pharisees, ye whited sepulchres, and ye "shylocks" of the Protestant, Catholic and Jewish persuasions!!! Let no man single out the Jews; there are worse "shylocks" amongst professing Christians than ever were known in Venice or in Israel.

We know with absolute certainty that "oppression of the poor and defrauding the laborer of his hire" are sins especially cursed by God and that those sins cry to heaven for vengeance, and we know that those sins can be and have been committed through unjust legislation, and we see with our own eyes, now, at this moment, that the whole world groans beneath the most unbearable oppression it has ever known, like a curse of God, through unjust money laws, and yet we are told that the money question is not a moral question but a business question.

Scribes and Pharisees! Ye are quick enough to tell us that the legislation proposed by socialists and communists to take away property from the rich is a very, very much moral question. But to tax and to take away property from the poor and from the laboring classes, unjustly, is *only* a business question!

But it cannot be said that the poor and the laboring men alone suffer from such unjust money laws. Manufacturers, merchants and traders, generally, cannot afford to have their profits filched from them by laws which appreciate the currency; for they find that they have to give more goods than they had counted upon giving in order to obtain the money which they must get to meet their engagements. Prices fall, necessarily, when money is appreciated. The prices must continue to fall as long as gold monometallism is continued.

In the year 1859 Mr. Richard Cobden translated a work by Chevalier on "The Probable Fall in the Value of Gold." The fall in the value of gold, caused by the increased supply of gold! That meant a rise in the value of goods!

This was well noted and widely discussed. All adverted to the fact. Mr. Cobden adverted to it and published it. Professor Fawcett, M. P., also adverted to it, and Mr. Giffen has adverted to it in his "Essays in Finance."

The American law of 1834 changed the ratio of silver from 1:15 to 1:16. The effect of that, and the effect of the change from the Spanish ratio of 1497, and from the English ratio of 1560, was to counteract the effect of the increased supply of money metal given by a beneficent providence in the course of nature. Was the effect of that legislation unknown to the beneficiaries of those

I refuse to believe in such simplicity, and in such a plea of gross ignorance. I refuse to believe that simplicity and ignorance passed the laws of 1834, 1873 and 1890. It can not be that *all* were in simple ignorance.

To show public advertence, I may extract from the evidence of M. Cernuschi in 1877 as follows: "In connection with this subject of the relative value of gold and silver, I would call the attention of the committee to the edict of Medina, which is frequently referred to in treatises on money, issued by Isabella of Spain in the year 1497. The legal ratio between gold and silver coins was then established by Isabella and her advisers as one to ten and three-quarters. Some years prior to that the ratio had been different; it had been one to eleven and three-quarters."

Then he says: "Your law of 1834, raising the value of gold as against silver from 1:15 to 1:16, was enacted precisely with the aim of inviting the importation of gold, . . . This difference in the cost of mintage gave certainly more preference to gold against silver."

Liars who lie by evasion will pretend even now not to see the point herein involved. The effect was an appreciation of gold, or a tendency that way, and a tendency to depreciation of the value of silver, and the law was "enacted precisely with the aim."

Some of the beneficiaries of iniquity *dare* to say—for they glory in their shame—that they want an "honest dollar." What mockery, from such lips! They are, at this very moment, flagrantly engaged in procuring a most dishonest dollar, because an appreciated dollar, and well they know it. The working masses of the people have never yet had honest money laws. There is certainly no prospect of it from modern infidelity. Providentially the supply of silver was increased to benefit the people. It made their burdens easier to bear. The increase of the

ratio absorbed the increased supply, and counteracted the natural tendency to a fall in the value of money, which would have made it easier to procure, to pay debts. Was that counteraction done in simple innocence and ignorance? Let simple folks believe it. The increase of ratio having proved so very successful, the mask was thrown off, and *demonetization*—wholesale demonetization—set in. The steal of the sneak thieves was no longer in fashion, we have the gigantic *swindle* much preferred.

What a gang of wretched criminals! Their crime is essentially the same as the crime of the socialists, but is greater in degree of infamy, it steals from the poor.

In the face of the outrageous swindle of the money laws the citizens ought to be continuously posted on the status of the question. Thus they may be able to judge; thus *justice* at last may be done. The truth should be made known to the people that gold monometalism is antagonistic to freedom of internal trade as well as to international trade.

The gigantic restriction of monometalism, or the gold basis, and additional restriction of law which requires reserves of that restricted currency, is not free trade. Protection is begotten of the gold basis. But it may be said that England has free trade and a gold basis. I deny that England has real free trade, or near free trade. The horse is not free to go whither he listeth when you bind fast his jaws with bit and bridle and the reins are in the hands of a master. The English Bank Act of 1844 is antagonistic to the Free Trade Act of 1846.

It may be said that Mr. Gladstone, and English statesmen of both parties, and bankers, financiers and politicians, do not consider the acts as being incompatible. They say trade moves freely to and from England. But I am forced, by conviction, to say that *nevertheless it does not move* freely. The law requires a reserve. The law

requires payment of Bank of England notes in gold by the bank. In order to carry out the law the bank raises its rate and the whole country is compelled, by force of circumstances, to follow. Loans are suddenly called in and manufacturers, merchants, and traders, know well I speak truly when I say they are forced to sell at a sacrifice—as must be the case in all forced sales. All this is the effect of the Bank Act of 1844.

But when the effect of carrying out a law, in any country, is to check imports and to force sale of exports then there is not free trade in that country. Whether it is done by a published legal prohibition, or by a published legal tariff, or by the secondary effects of a bank law, it is the same, in result, when imports are checked and exports are forced.

But now, having pointed out that the money question stands right in the way of freedom of trade, blocks the way of tariff reform, as it does of every other reform, we must return to the subject of the financial steal, which brings us at once to the consideration of silver.

Note what Cernuschi says in his evidence before the commission, at Washington, in 1877: "If you coin at the ratio of sixteen, France can not coin at the ratio of fifteen and one-half. Remember the experience of 1834. What has been the effect of the ratio sixteen then established? The effect has been that no silver dollars have been coined in the United States since 1834, because there was a profit of three per cent in sending silver to France."

Now it is clear that the lower ratio (speaking in one popular sense), and the higher ratio as silver men might call it, are really the same thing. Thus fifteen and one-half is a lower *number* than sixteen, but it is a higher or more favorable ratio for silver. The less silver there is put in the coin, the more is silver honored. The people gain by less silver in the coin, in so far as payment of their

debts is made easier. The bond-holders gain by having more silver in the coin because it tends to reduce the amount of coin in circulation and to help appreciation. If the ratio were changed to fifteen and one-half, the stock of silver dollars we have would make more dollars, because a little would be taken out of each dollar and so make more dollars. But if the ratio were changed to twenty-five or thirty, as some propose, then four hundred millions of the present dollars would make only two hundred millions, and the silver coin in circulation would be reduced by one-half.

It is no matter about the mine owners. So long as the people gained we would not object to the bond holders making a gain along with the people. So long as the people gain we do not object to the mine owners making a gain along with the people.

And this is just exactly the argument of the high tariff men. They say: "So long as the people gain by high tariff what matter if the eastern monopolists gain also?" Just so—what matter? That would be all very sound reasoning *if* it were true that the people *do* gain. But the point is: that the people *do not* gain by high tariff. And that is why the tariff is unjust, in giving unjust gains to *a few*, while at the same time *injuring* the *people*.

Now if France coin at fifteen and one-half, and all other countries at sixteen, or more, then France would be the most favorable market for silver, and all silver would go there. France might not like to be the only buyer of silver. And we have seen how she objected, and how she closed her mints. But if America joined France at the ratio of fifteen and one-half, then there would be two great markets well able to undertake the task. To raise the ratio by a change to fifteen and one-half—or in other words to change from our present ratio of sixteen, and to make the ratio fifteen and one-half; to put less silver in

the coin, to make our gold and silver coins in the proportion of fifteen and one-half ounces of silver to one ounce of gold, instead of the present proportion of sixteen ounces of silver to one ounce of gold; that would be a gain to America in thus joining France. Then the Latin Union would join, and Russia too, and the South American Republics; and they might easily include a treaty of "Reciprocity."

But it is undeniable that if America were to issue bonds and offer them for silver, she could issue the bonds at a premium, instead of a discount as is the case with gold bonds. And the opportunity is now favorable for America and France to issue five hundred millions of dollars worth of bonds, for each nation, to carry out extensive public works; and the effect of such a sudden and large demand for silver would not only counteract the demonetization of silver by Germany in 1871, and by Austria in 1892, but, not improbably, would raise the ratio to the old ratio of Isabella, which was eleven to one.

Now let us not leave this question of the alterations in the value of money which have been caused by deliberate and arbitrary legislation. Let us see further.

Mr. Giffen says, in "Essays on Finance," page 82: "It is not a mere increase of supply which tends to cause a fall of value, but an increase of supply in excess of the demand. And supply and demand themselves are not mere accidents. In the long run supply is ultimately dependent on real causes operating on producers and merchants, and the effective demand changes with every change of price."

Now it is well to call attention here to an important point, not expressly referred to in this quotation, because the juxtaposition must impress the truth more firmly on the mind.

1. Governments can make "effective demand" for any commodity, when authorized to do so by law.

2. Governments, in all ages, have made "effective demand" for many commodities.

3. When any government makes an "effective demand," to a very great extent, for an immediate delivery or supply, of any commodity, such action causes an immediate increase in the value of that commodity.

4. When several governments make that "effective demand" for any commodity, then, *a fortiori*, such action causes an immediate increase in the value of that commodity.

5. Now, conversely, when several governments sell any commodity, which has been stored in their hands, and sell it to an enormous extent, in the absence of any great desire to buy, or in the absence of any urgent "effective demand," such action must necessarily cause an immediate and a great decrease in the value of that commodity.

Now, when gold was first coined, it was stamped with the mark of its then existing value, or market price in commodities, or its purchasing power. But for a government to coin metal is to provide a great central and certain market for the metal. It is, in effect, the nation buying the metal. This cannot be denied now, for the gold men themselves have long recognized the truth, saying: "Why should the nation buy sixty-cent dollars for the benefit of the silver states?" In saying so they willfully pervert the meaning of the government action, but that does not alter the value of the admission—that, to coin is to buy.

But to take them on their own ground, I ask what caused the silver in the dollar to be now worth only sixty cents? It was the dishonest laws of 1834, of 1873 and 1890. It was the change of the ratio and the demonetization of silver in 1873, and the act of 1890, joined with and aggravating the swindles of European statesmen. That's all.

If then, the infamous swindles thus perpetrated were the cause of the fall in the value of silver, why should not the swindles be reversed? If the swindles caused the fall in the value of silver, to reverse the swindles would plainly raise the value of silver. Then, when the swindles were reversed we would no longer have a sixty-cent dollar.

When gold was first coined it was, in effect, bought. That would have tended to raise the value of gold. But as barbarism decreased the desire for gold and gew-gaws would have decreased. That would have tended to check the rise in the value of gold. If gold had not been coined it would have been left to depend, for value, exclusively, on demand for its use in the fine arts. As the supply increased, and as the barbaric desire for gew-gaws decreased, and as commerce became more secure from piracy and from raids, then the natural result would have been a steady decline in the value of gold. But the market created by government coinage changed all that natural working of the laws of supply and demand—a clear legislative interference with the freedom of trade.

Now we may take another interesting extract from Mr. Giffen's "Essays in Finance." He says, on page 93: "A depreciation of ten or fifteen per cent in the measure of value spread over a quarter of a century is hardly of a kind to produce any social disruption. At the worst it is a ten per cent income tax, and though a ten per cent income tax would be all but intolerable when levied directly, experience has fully shown that a much heavier per centage can be levied on commodities indirectly without the victims being individually conscious of the process."

Here, then, is a very strong suspicion of the suggestive "don't nail his ear to the pump," for the guidance of the monied classes. It is as if he said: "See! you are being taxed, indirectly, ten or fifteen per cent, on income, by the depreciation in the value of gold, caused by the natural

increase in the supply of gold. You can counteract it. You had better take steps. And, let me whisper, you can do more. You can turn things the other way. You can, slyly, reverse the engines of supply and demand by legislation. Come nearer. *Listen!* You can appreciate gold, and levy a heavy tax, for your own benefit, on every community, indirectly, (hush-sh) *without the victims being individually conscious of the process.* Now, take steps." *And they did it.*

Read the result, in his essay on "The Fall of Prices of Commodities in Recent Years," page 332. And mark: he is a gold man! The leading gold man of the day! He says: "These three causes then—the extreme and prolonged discredit, the bad harvests, and *the extraordinary demands for gold*—appear to me to have concurred in bringing prices of commodities to the lowest level which has been reached at any period for many years. That they would be sufficient to account for much of the effect which has been produced can hardly be disputed, and that they have existed is *beyond all doubt.*"

"The Probable Fall in the Value of Gold," a work well worthy of perusal, is that by Michel Chevalier, translated from the French, in 1859, by Richard Cobden, Esq. In his preface Mr. Cobden says: "M. Chevalier has qualified himself for the present task by a long and laborious study of the currency question, having given to the world some essays on money and the precious metals, which are recognized as standard works, and invest his name with an authority on such subjects, hardly second to that of Humbolt himself."

In another passage Mr. Cobden writes: "Unless, however, the cardinal rule of commerce, that quantity governs price, which applies infallibly to all other commodities, loses its force when gold is concerned, this

sudden and great increase must be followed by a reduction of value."

It follows, then, that any legislation which, directly or indirectly, increases or decreases the supply of gold, silver or paper money, must have for effect the depreciation or the *appreciation* of *money.*

An increase in the supply of money, whether by natural causes or by the deliberate act of the legislature, depreciates the value of money. A decrease in the supply of money or a relative decrease, whether by natural causes or by the deliberate act of the legislature, appreciates the value of money.

Mr. Cobden says, in another place: "M. Chevalier draws the conclusion, from the facts of the case, that there must be a fall in the value of gold in consequence of its greatly increased quantity. In this view he will be supported by all our great authorities on the currency, to whatever party they belong."

The passage with which M. Chevalier concludes his work is well worthy of the gravest consideration. Speaking of two projects, (1) to demonetize silver, or (2) to remain with arms crossed and to leave things to take their own course, he says: "The demonetization of silver would then be an accomplished fact. At whatever point of view I place myself, whether I regard it as a question of interest, of equity, or of honor, I cannot perceive a great difference between the one and the other of these two processes. The effects would be the same, they would be equally disastrous, equally condemnable. On some future day, history, when its pen shall be held by judges firmly devoted to the cause of *principle,* such as was Tacitus for his time, will visit the one or the other of these projects with its severest condemnation. In many respects omission is almost as culpable as action. This is especially true in relation to that particular social force, the destination of

which is to show itself in action, and that force is called government. . . . Let the event then be taken for what it really is, a respite given to the authorities of France to enable them to act. It would be, perhaps, better to say that it is a pause on the part of the sole authority to which governments own themselves amenable, Divine Providence, to enable every one to do his duty."

It is with regret that I have to point out, what seems to me a confusion of thought, in such a work. M. Chevalier says on page 154: "The quality of standard implies immutability of value: it reveals itself only by this immutability, and the immutability in its turn implies the quality of standard."

Now immutability, or absence of change *of* the thing used as a standard for comparison, is one thing. Immutability *in* the *value* of the standard so chosen, is quite another. Immutability in the value of anything is almost unthinkable.

On page 25 M. Chevalier says: "The price of a certain thing is its value in relation to a substance specially designated, that is to say, to the material of which money is made. Thus, whilst in ordinary language we often confound these two words, value and price, and use them as synonymous terms, they have in reality a distinct meaning. Both have a relative sense; but value is a more general and indeterminate expression, or to use a better word, more vague; price is more special, and has a meaning perfectly precise." Furthermore, a thing can have no value, no matter how *precious*, when we pay no price for it.

Here the first proposition that the relation of commodities is "to the material of which money is made" is strikingly contradicted by his own evidence.

He points out that "from the first of January, 1816, to the first of January, 1839, the excess of the importation of silver over the exportation amounted to 1,822,824,818

francs ($364,564,963). Nearly the same proportions were preserved until 1851, inclusively; but then commenced an inverse movement which gathered strength every year."

Then he says, page 61, that: "From the first of January, 1852, to the first of January, 1858, the total excess of exportations over importations amounted to 1,127,000,000 ($225,400,000). There are not two ways, there is only one way of explaining these facts: gold is imported into France in masses, and takes the place in the circulation formerly filled by silver, which disappears, because it is profitable to come from abroad to barter gold for silver, on the footing of one kilogramme of the former for fifteen and-a-half of the latter. . . . The merchant possessing ingots of gold has only to carry them to the mint to obtain the same amount in pieces of ten francs or twenty francs, weight for weight, and fineness for fineness, save only a small charge to cover the expense of coining. In this way every kilogramme of gold introduced into France, enters into the circulation on the footing just described, of an equality with fifteen and one-half kilogrammes of silver. The creditor is obliged to take it in discharge of his claim on that basis. . . . From the moment that numbers of persons devote their time and capital to the carrying out of this substitution, we must conclude that it is a profitable trade, for, if the relation of one to fifteen and one-half were not advantageous for the holders of gold, they would take good care not to carry on the operation upon the large scale on which they have proceeded. . . . Gold is no longer worth fifteen and one-half times its weight of the other metal . . . the bullion merchants will pay to those who bring them a certain quantity of coined silver, a certain sum beyond its legal equivalent in gold money, and the amount of the premium is the measure of the change which the relation of one to fifteen and one half has undergone. *This premium is a*

notorious fact; it is quoted every day; every morning the newspapers announce it. Sometimes it has been lower, but it has also risen to forty francs. Twenty, thirty or forty per one thousand is two, three or four per cent. . . . *The fact of gold having been appreciated* in France two per cent, or even less, is a sufficient reason why it should be precipated upon the market of that country; on the contrary let silver be depreciated to the same extent, and it will flow away with equal impetuousity."

This lengthy extract has been given in order to be free from the charge of garbled extracts.

Now it is absolutely conclusive that he is wrong in saying, on page 25: "The price of a certain thing is its value in relation to a substance specially designated, that is to say, to *the material of which money is made.*" He has shown conclusively that the price of a thing is its relation *to money*, and not to the material of which money is made. He has shown it to be a notorious fact that gold when coined bought more commodities than it could buy when uncoined bullion. He has also shown that for practical purposes value means price and it is easy to see that the word value should not be used in political economy at all, for the very good reason that the word is, admittedly, vague, and as he says "price is more special, and has a meaning perfectly precise."

Professor Fawcett M. P. says in regard to price: "In political economy a system of propositions may be enunciated, which treat of the value of commodities, and not of their price. This course is usually adopted, but it only adds to the difficulty of the subject, without attaining any practical object of utility; for none of the transactions of trade and commerce in civilized countries are ever arranged without the machinery of a monetary standard. If it is desired to ascertain how much of one commodity another will exchange for, the calculation is always made

in money; the prices of the commodities, and not their values, are considered."

I would just like to say that if the use of the word value *only* added to the difficulty, I would not have much objection, but it simply makes political economy a farce.

In connection with the question of ratio between gold and silver it will be useful to have before us an extract from Mulhall's Dictionary of Statistics. On page 306 he gives Soetbeer's table of the production of gold and silver:

Period	TONS *Gold*	TONS *Silver*
1493—1520	162	1316
1521—1600	593	21519
1601—1700	911	37234
1701—1740	638	15736
1741—1780	906	23718
1781—1800	356	17581
1801—1820	292	14350
1821—1830	142	4606
1831—1840	203	5965
1841—1850	548	7804
1851—1860	2018	8956
1861—1870	1885	12201
1871—1880	1715	22347
1881—1888	1067	21960
396 Yrs. Total,	11436	215293

In these tables we find, taking the figures since the thirties and forties, when the ratio of fifteen and one-half to one was maintained by France alone in Europe, the total production from 1831 to 1888 was:

	Tons
Gold	7436
Silver	79233

Thus the proportion in that period was about ten and two-thirds tons of silver to one ton of gold. But in the hundred years from 1701 to 1801 the proportion was thirty tons of silver to one ton of gold.

Now, if after *one hundred years* of production at thirty to one the ratio *was in point of fact* maintained at fifteen and one-half to one, by *France alone* for *seventy years*, surely the reduced production of ten and two-thirds tons of silver to one ton of gold is not a natural cause calculated to change the ratio from fifteen and one-half to a ratio twenty-five or thirty to one?

No, the ratio was not changed by nature. The ratio was simply changed by *swindlers*, acting with those in whose hands the people had trusted the powers of government. It was a deliberate act; it was fully adverted to; they knew well what would be the effect of that act; that it would most greviously oppress the working people; but they were not deterred from crime by any scruple; *God, religion, country, humanity, honor, justice—all* were sacrificed on the altar of that *cupidity* which is *the spirit* of our vaunted *age!*

Bastiat, in his "Harmonies of Political Economy," page 135, says: "I say then value is the relation of two services exchanged." Then he continues: "The idea of value entered into the world the first time that a man having said to his brother, do this for me and I shall do that for you—they have come to an agreement; for then for the first time, we could say—the two services exchanged are worth each other. . . . Here you have value discovered and defined (he compares himself to Newton). Here you have it in its rigorous economic exactitude, excepting the touching trait relative to friendship, which carries us into another sphere, that of sympathy. . . . We are all blind or impotent in some respects, and we soon come to understand that by assisting each other (true but that has nothing to do with the logic of the question, it is an appeal to sympathy when reason fails) the burden of misfortune is lightened. Hence exchange."

I think I have quoted enough to do him justice. But we know that services have not originated value, either in primitive society, or in complex civilized society. In a simple community, one man obtained possession of an article without a moment's labor. Another man obtained an article with a whole year's labor. This latter sees the other article, admires and desires it, and makes "effective demand," offers his article in exchange. The other man, seeing what is offered, also admires and desires it—they come to an agreement. The exchange is made and value comes into being. In civilized society money is exchanged for commodities and commodities are exchanged for money. The proportion in which they exchange is definite value or price. The price, in civilized society, is fixed mainly by general agreement instead of by individual agreement, and hence is called "market price."

Many things affect the "effective demand;" many things affect the supply; but the effective demand and the limited supply owned by others are the proximate causes of value.

His predominating ideas of "effort and satisfaction" are, substantially, the same as Professor Jevons' "Pleasure and Pain" theory. One would think that both of them were studying bees in a bee hive, and not men endowed with free will.

III.

MONEY.

Let us ask ourselves quietly, *what is money?* It is an important question. When we ask what is money, we ask, simply, what is its own nature. We do not ask, yet, what money *does*, but what it *is*. When we ask what is the real nature of the thing called money, we mean to ask what is it that *essentially* constitutes *money?*

Money is a thing not found in nature as created by God. Money is created by man, that is to say, money as money, is created by man. The material of money is not created by man. But out of a material created by *God* man creates *money*. Just as out of the material created by *God* man creates a *statue*.

Then, just as we would ask what is the nature of the thing called a statue, which man has created? So do we ask what is the nature of the thing called money which man has created for his own purposes? We do not ask what it *was*, at present; we ask what is money, *now?*

The two essential constituents of money are, (a) the material substance chosen; (b) the mark, impressed upon the substance, representing the government *fiat* which declares that it is a *legal* tender for all debts both public and private to the extent named on each piece of money.

The substance is chosen, now, in every civilized country, for certain stated reasons.

The substance ought to be chosen for good and sufficient reasons, since men are rational beings.

Thus, *money* is a substance which bears the mark of the legal tender fiat of a government.

But when we begin to consider what material substance *ought* to be selected, for this purpose, whether gold, silver, copper, leather, paper, or some other substance—and if more than one substance, in what proportions—then the "war is on." But, mark well, this is not a war over the definition of money; it is a war about the material of that which we have defined.

For this much is absolutely certain, that (a) money must be *some* substance, and (b) it must bear the mark representing the legal tender fiat of the government.

No civilized government in the world will recognize any substance as money, in a *court* of *law*, which does not bear the mark of the legal tender fiat of the government.

The severest punishment is inflicted upon any one who dares to put that legal tender mark upon any substance without the authority of law.

Professor Fawcett, M. P., of Cambridge University, in his "Manual of Political Economy," on page 350, writes: "Any substance may be selected as this 'medium' of exchange; it has, however, been generally found most advantageous, for reasons which will be presently stated, to chose the precious metals as the 'medium' of exchange."

Here he bears testimony to the truth that the particular material of which money shall be made depends, entirely, upon the choice of each particular nation. Money (*qua* money), in point of fact, is purely the creature of convention or law, and, we shall see later on, that most momentous consequences depend upon the choice which is, or may be, made by each nation.

The reasons given, by Professor Fawcett, on pages 351 *et seq.*, are: "The reasons why the precious metals are almost universally employed as money, in preference to any other substance, will at once become evident by considering the purposes which money has to fulfill. The functions of money may be divided into two leading

classes. First, money serves as a measure of value. Second, money is a universal medium of exchange."

Now, let us go slowly. Here we have the reason which *has been* given. The reason why a thing *was* chosen is one thing. The reason why a thing *ought* to be chosen is quite another thing.

When several substances are put forward, for each of which it is claimed that it alone is the best for our purpose, then, to say that one in particular is the best for our purpose because it is the best for our purpose, is manifest sophistry. Then the best for the purpose of a comparatively small number of rich financiers, is not, necessarily, the best for the whole community.

When Professor Fawcett speaks, on page 353, of an "invariable standard of value," his language is confused. He compares a mile as a standard of length, a ton as a standard of weight, and money as a standard of value, and, then seeing the difficulty which he has created for himself, he says: "It is obvious that it is impossible to obtain an absolutely invariable standard of value, because the value of every substance which is known to us is liable to variations."

But he, and a great many others, have not begun to see the truth. Let us, for the sake of argument, suppose that there was no more gold in the world; and that the gold was accurately counted. Now we can procure no more. Very well; can the value of gold money, even then, remain invariable, or will it only change "slightly?" Or will the value of that money only change slowly and in a course of years? Not at all. It will change every hour in the day, and every minute in the hour. It will change faster than the "tick, tick, tick" of the telegraph can bring the news.

What, then, means a "standard of value?" It means that one thing, and one thing only, shall be recognized as

a legal standard of value. That one thing is money. That means that we shall not have gold one day, silver another day, and copper, tin, lead, iron, corn, wheat, hay, day after day, in succession, but always the one thing—*money*.

We cannot prevent changes in the value of money, but we can prevent arbitrary legislative changes, such as we suffer from for so many years; we can prevent *bankers and financiers* from arbitrarily adding to the ordinary, unavoidable, natural changes.

We cannot maintain the one value in the standard, but we can maintain one standard.

Futhermore, we must consider that man is a rational being, essentially different from the brute, and while the brute devoid of reason must take things as they come, man is the intelligent ruler of the earth, appointed to that dignity by God. When man finds, by practical experience, that he suffers from alternate floods and droughts, he will exercise the reason which God gave him, to devise elaborate means to prevent a recurrence of those evils, as far as lies in his power.

Professor Fawcett is pleased to admit that: "If, however, in any country, some substance is made to perform the functions of money, that substance is as justly entitled to be considered money as our own gold and silver coin."

Now, we have already seen that he defined value as expressing a relation and that it essentially implies comparison. But on page 354-355 he uses the expression "intrinsic value" several times. But in Webster's Dictionary "intrinsic" means withinside or essential. Then, the "intrinsic value" of a thing would mean something withinside or essential to that thing as it lies buried in the ground, before man discovers it. Then value would not be a relation or imply comparison. Then he says, on page 356: "Although it is not improbable that the value of gold and silver may in future years be greatly depre-

ciated by these discoveries." But it is plain that if the value is "intrinsic" or "withinside" or "essential" before the gold is discovered by man, then the value can neither be "depreciated," nor appreciated by these discoveries.

Again, he says: "Nations, even from a remote antiquity, have always placed a great value upon gold and silver. . . . Moreover, gold and silver have always been sufficiently rare to be esteemed for their scarcity. . . . The great value *possessed* by these metals . . ."

Here we have contradiction tumbling over contradiction. For, that which is intrinsic is not placed upon it by nations. Nor is the esteem, which people have for any material substance, any intrinsic property or quality of that substance. If metals "possess" value then the value is not placed upon them by nations. Furthermore, to say that "even from a remote antiquity" gold and silver have been used, does not necessarily prove that they ought to be used here and now. Mere material instruments, in the nature of things, are always liable to be changed.

It would be a poor argument to say "let us, now, use the stone tomahawk as a weapon, instead of the repeating rifle, because the tomahawk was used 'even from a remote antiquity.'"

That which was useful to man, as a *mere material instrument*, in a state of simple barbarism, is not necessarily useful to him in a state of complex civilization.

Let us consider, carefully, the term "medium of exchange" used by Professor Fawcett, and by all other writers. It is not very hazardous for me to say that science requires a strictness and exactness not required in an ordinary chat or gossip.

Now, in real life, money is, invariably, one of the things exchanged, when and wherever it is used. Where, then, is the "medium?" See a man go into a store, he hands money across the counter, and receives in exchange

a commodity. Money is exchanged, directly, for commodity and commodity is exchanged, directly, for money. There is no medium. So far the transaction is just as much, essentially, an act of barter as any barter before the time of Abraham. But we see other things. We see not only the counter, the store, the scales, the weights, the measures; but we see also, in thought, the country roads, the railroads, the canals, docks, harbors, the steamships, and the sailing ships, the telegraph, the postal service, wagons, bridges, banks, market places, clearing houses, and other "mediums" of exchange.

Exchange of what? The exchange of money for commodities, and of commodities for money.

The functions of money, then, may, more strictly, be divided into these two leading classes:

1st. Money serves as a standard of market price or value.

2nd. Money serves as a legal tender.

M. Chevalier defines money as a "measure and an equivalent." But "equivalent" is not so definite as "legal tender," for there are very many equivalents which are not "legal tender."

It seems to follow from this that money, also, serves to promote productive industry.

Mr. John Stuart Mill admits, in "Principles of Political Economy," book III, chapter XIII, section 5: "The substitution of paper for metallic currency is a national gain: any further increase of paper beyond this is but a form of robbery."

And, in chapter XVII, section 4, he says: "The notion that money alone is wealth has long been defunct, but it has left many of its progeny behind it, and even its destroyer Adam Smith retained some opinions which it is impossible to trace to any other origin. . . . It is in truth a surviving relic of the mercantile theory, according to

which, money being the only wealth, selling, or in other words, exchanging goods for money, was (to countries without mines of their own) the only way of growing rich —and importation of goods, that is to say, parting with money, was so much subtracted from the benefit."

Is it not incomprehensible, since the overthrow of the mercantile theory was the starting point of free trade, that Mill, and Smith, and Fawcett, should contend for the retention of gold monometalism? But those men contended, not only for gold monometalism, but for the forced importation of gold into the country, by artificial means, antagonistic to free trade, and by means quite in harmony with the mercantile or protective theory, as witness the English Bank Act of 1844.

Think a little. Free trade is not restricted trade. Where there is serious restriction on trade there is not free trade. The old fashioned, the old mercantile theory, the direct restriction on trade, is the well known "*high tariff*," *or duties on imports*, to prevent importation of commodities. There has been, also, a direct prohibition on imports and exports. But, for the duties on imports, this much may be said, that the duties collected go to the government, let them be ever so exorbitant and unjust. But, when the government, or we should say the law, establishes an institution, or several institutions, which are bound by strict enactment to do a certain thing, to-wit: to pay gold on demand, and to keep a fixed reserve of gold, under penalty of being declared bankrupt, and of being irretrievably ruined; and, when, in order to carry out the law, these institutions, which we call banks, are obliged to restrict trade—they must do so to save themselves—then there is not only "*tariff*" or *restriction on trade*, but the worst is that the tax does not go to the government, and the widespread ruin of business houses—

throwing thousands of men out of work—which it causes, is far in excess of any *direct tax*.

In considering this question of money it seems more than excusable, in fact necessary, that we should place before us quite an extensive quotation from "Logic," by Rev. Richard F. Clarke, S. J. We read, on page 405: "Of all fallacies the commonest is that of hurrying to an unfounded conclusion *from one or more instances*, or of arguing from the existence of some circumstances in one instance of a phenomenon to the existence of the same circumstance in another instance presented to us. The infant who looks out of the window and on seeing a man pass by in a black coat and hat cries out 'Dadda;' the too credulous invalid, who, because he has swallowed a box of patent pills and afterwards recovered, attributes his recovery to the pills; the cynic who condemns all ministers of religion as insincere, because he has on one or two occasions met with a clergyman who did not live up to his profession; the traveler who denounces the dishonesty of a country, because he has once been cheated during a passing visit there; the superstitious of all kinds, who attribute good luck to horseshoes nailed over the door, or ill luck to having seen a magpie or walked beneath a ladder; all these and ten thousand more are fallacies of example or *imperfect induction*. They leap from a single instance, or a handful of instances, to a universal conclusion, often forgetting or leaving out of sight the cases that are fatal to their too hasty generalization."

And thus it is that, not merely ordinary people, but professors of Political Economy, if you please, "leap from a single instance, or a handful of instances," to the universal conclusion that no paper money is true money or that *all* paper money is utterly bad if it be inconvertible.

Thus John Stuart Mill (like others) contents himself with little more than a bare recital of the well known fact

that France issued paper money, called assignats, and disaster followed. Therefore they conclude, having first contradicted themselves in a violent effort to slip in a saving clause, that *all* inconvertible paper money is utterly bad. They argue thus: all inconvertible paper is utterly bad, but it is possible to have an exception, but in conclusion all paper money is utterly bad.

In the case of France we should consider the quantity of paper money and the population and wealth of the country at the time, the great rapidity of the issue and the consequent too sudden inflation of the currency, as opposed to gradual inflation; then the paper was not inconvertible, in a legal sense, it was nominally or legally convertible, but physically inconvertible; and we must consider that a vast mass was a fraudulent issue, not merely by forged paper, but for fraudulent purposes in the absence of value received by the country for the paper issued.

In the case of the Argentine Republic we know from official reports that paper was issued for two hundred and fifty thousand dollars on the security of property which was only worth fifteen thousand dollars. To argue from that against paper money, would imply that if *twenty times the value of property* was loaned in gold money it would be quite safe and legitimate business.

We cannot ignore the success of the Venetian paper money for centuries. We cannot ignore the success of the more modern Scotch paper money for two centuries, even though it was not nominally inconvertible. Nor can we ignore the indisputable facts of the wildest, maddest, speculation, panics, and disaster, in countries where gold monometalism obtains, and where paper money is at a minimum.

How absurd it would be to argue that because the politics of the United States are full of corruption and that much of the public press and public officers

and caucusses and primaries are in "harmonious" corruption therefore the *whole people* are alike? We know that the *people* are sound and that is why we appeal to them.

It does not follow that because *some* paper money was bad, therefore *all inconvertible* paper money is bad. Nor would it follow that because *some* inconvertible paper would be good, therefore *all* inconvertible paper would be good *to an unlimited amount.*

Now we have said that money is a material substance with the mark, impressed upon the substance, representing the government fiat which declares that it is a legal tender for all debts both public and private to the extent named on each piece of money. It serves as a standard of market prices. The market prices are the recorded proportions in which commodities are now being exchanged for money.

The goods and the money are the things exchanged by various means or mediums of exchange. In no case is money ever the "*medium.*" Money is, *always and everywhere*, one of the things exchanged.

The market prices of money are the quantities of the various commodities given for money. The market prices of commodities are the quantity of money given for them in the public market. The market price is the value.

John Stuart Mill has written, in his "Principles of Political Economy," book III, chapter VIII, page 297: "The value of money is inversely as general prices: falling as they rise, and rising as they fall." Again we read: "The value of money is to appearances an expression as precise, as free from possibility of misunderstanding, as any in science. The value of a thing is what it will exchange for: the value of money is what money will exchange for."

It is a pity he could not always adhere to that, and avoid speaking of *intrinsic* value and many other kinds of value in hopeless confusion. But the quotation given

above is simply a roundabout way of saying what could be said "plump and plain:" that value is the market price. But, alas, the "plump and plain" expression has not a grand scientific sound. And we affect the scientific in this very scientific age.

Now, as money is the legal standard of market prices, we say that prices are high or low, according as more commodities, or less, must be given in exchange for money through the various means or mediums of exchange. It is an every day fact, seen everywhere in the world, that when money is offered freely for commodities, the owners of commodities hold back for more money, if it can be obtained; and if more money be offered, and if commodities be urgently demanded, then commodities become dearer. This happens generally when the quantity of money is increased. It requires more money than before to obtain the same quantity of commodities. But if, on the other hand, commodities be freely offered, and the money urgently demanded, the money is held back, and if more and more commodities be offered, less and less money will be given for the same quantity of commodities, than was given before. This happens generally when the quantity of money is decreased. The quantity, or the increase or decrease, of money which is offered or available for offer depends on a variety of causes, some natural, some purely artificial.

We are more concerned with artificial causes. There may be artificial contraction or expansion of the supply of money. Contraction, as when one of the materials in use, as money, is no longer used to the same extent. Thus let silver or gold be the material of which money is made, to change from one to the other, by legislation, may materially alter the supply of money, may increase or decrease, to a great extent, the quantity of money. For one may be produced, at the time, more or less plentifully

than the other. Then when both metals are used at the same time, as money, that is, equally legal tender, to cease to coin one or the other, is not only to, artificially, shut off the possibility of an increased supply, but very seriously injures the position of the money already coined from that metal. The metal loses a market and alarms all other markets with the fear of an overstock. Still more must this be the case if one of these metals is demonetized. To demonetize is to destroy the legal tender character of the metal. If that be followed by taking the metal out of circulation and selling it wholesale, the effect must be disastrous, not only to the country which so acts, but to all other countries which had given a legal tender character to that metal. This is one of the most serious evils of a metallic currency, that one nation can not make an arbitrary change without most seriously affecting all other countries.

It is easy to see that if all nations coined only the one metal, gold, the result would be appalling. What was already scarce would become still scarcer. Besides to demonetize a metal which has once been coined is, practically, equal to a wholesale repudiation of debt.

Then nations may have artificial restrictions, in the shape of banking laws, and protective tariffs, and reserve clauses, all of which must not only affect the country in which they exist, but all other countries which "have all their eggs in one basket," and are inseparably bound up in the same financial tangle, by having their money made of the same scarce metal. We have to disentangle ourselves from the meshes of European finance.

Money is the legal tender for the payment of debts, within the jurisdiction of the law which has so enacted. Then in the course of unrestricted trade, some people find it suits them to export the money as a metal commodity, and others follow, and all the metal goes, then the country

is paid for the metal, and is as rich as ever, perhaps richer, but the legal tender for payment of debts is gone, and no one can pay on demand, and all are bankrupt. Bankrupt, yet really solvent. This is an extreme case but the danger is visible, even without going so far.

What an absurd position for the human race, endowed with reason to guide them, to have it said that the richest nation in the world was in such a position not so many years ago, that one man was able to say to the Bank of England: "I can draw a couple of cheques tomorrow morning which will shut you up at once." (Gilbart on Banking, page 354, Vol. 2.) This was in the presence of Mr. Gladstone, then Chancellor of the Exchequer, in May, 1866. Further, on the 12th of August, 1857, the total reserve of the Bank of England in London and its branches was only £580,751 sterling, and the "banker's balances alone against it on this very same evening were £5,458,-000." (Ibid. p. 340.)

This same author, Mr. J. W. Gilbart, F. R. S., formerly director and general manager of the London and Westminister Bank, in his "History, Principles and Practice of Banking," Vol. I, page 384, wrote: "There can be doubt that, under the act of 1844, a sudden exportation of gold must cause a sudden contraction of the amount of notes in circulation. This 'self-acitng machine' acts by jerks, like a steam engine without a fly wheel; and its advocates look to the banking department to supply the fly wheel, and to cause the machine to move smoothly and equably. It may be doubted whether the banking department has the power of doing this. But when this is not done the advocates of the act throw the blame upon that department. They resemble the court preceptor, who, when the royal pupil did anything wrong, inflicted the beating on his fellow student. If on this occasion the bank did wrong, it may

be feared that it was its court connection which led it astray."

Is an institution, of which these things, and more, as we shall see later on, can be written, an efficient instrument of trade or a dangerous nuisance?

In the work, "On the Probable Fall in the Value of Gold," by M. Chevalier, page 125, *et seq.*, we find that his chief fear was about the depreciation, not of silver, but the depreciation of gold. But we must note the meaning he attaches to those words "appreciation" and "depreciation." He means here that when gold was depreciated in value, as metal, it became appreciated when it was coined on a level with silver. In other words, gold was coined into ten and twenty-franc pieces, which were then put into circulation as equal legal tender with ten silver pieces of one franc each, and twenty silver pieces of one franc each, respectively. To put it again in other words, when the government coined gold, the government, for the nation, bought gold. The owners of this gold, now coined, at the ratio of one ounce of gold to fifteen and one-half ounces of silver, then demanded silver for the gold. Thus the nation, through the government, bought gold with silver, and gave fifteen and one-half ounces of silver for one ounce of gold. But silver was worth more, in bullion, than fifteen and one-half to one. Fifteen and one-half ounces of silver were worth more than one ounce of gold. Then to buy gold, and to pay more than it was worth, was to appreciate a depreciated metal.

Then, when we read the recital of evils which M. Chevalier gives as the result of that course, we are at first alarmed; but on reflection, we see that such was *only his opinion*, but that the depreciation was a "notorious fact,' recorded in every daily paper, every morning. Then we find that, after evidence of depreciation, in one sense, he reasons on depreciation in another sense. We find that

he is not arguing to the question of *appreciating depreciated gold*, by buying the gold with silver *money*, but he is arguing to demonstrate the evils of quite another thing—the depreciation of money itself.

Is, then, the depreciation of money an evil, and the appreciation of money a good?

When one side of the scales falls, the other side goes up, the side which falls may have had a weight put on it, or it may fall because a weight was taken off the side which went up. One side cannot fall without the other also rising, and, thus, when one man would say that the value or market price of commodities had risen, another man would say no, the value or market price of money has fallen.

In order, then, to be clear on the point, we must ask on which side was the weight put on, or from which side was the weight taken off? If we did not do this we would, always, be at at "loggerheads," and the world could never come to an agreement.

Now, is that proposition true, which Mr. Cobden says is "the cardinal rule of commerce?"

Here is the proposition in Mr. Cobden's own words, taken from his preface to the translation of M. Chevalier's work, page 4: "Unless, however, the cardinal rule of commerce, that quantity governs price, which applies infallibly to all other commodities, loses its force when gold is concerned, this sudden and great increase must be followed by reduction of value."

That proposition seems indisputable, other things being equal. That being so, as truthful men, we must be, quietly, resigned to accept whatever follows logically from it, and not commence to dispute it the moment we find that it can be, legitimately, used against ourselves in argument.

We have, then, to consider, (a) that a great increase, in the quantity of a commodity must depreciate the value or market price of that commodity, and that, therefore, a great increase in the quantity of money must depreciate the value or market price of money; and (b) we have to consider that a great decrease in the quantity of a commodity must appreciate the value or market price of that commodity, and that, therefore, a great decrease in the quantity of money must appreciate the value or market price of money.

The increase or decrease, here, means *relative* increase or decrease. For a change in the quantity of all things in equal proportion at the same time would not have the same effect.

That being so, if a natural increase in the quantity of money be an evil, as alleged by M. Chevalier, causing great suffering to a whole people, then a deliberate increase in the quantity of money, artificially, arbitrarily, through legislation, would be an evil, causing great suffering to a whole people, plus a crime.

In like manner, if a natural decrease in the quantity of money, caused by an increase of population and wealth changing the relative proportions, or otherwise, be an evil, as alleged by many, causing great suffering to a whole people, then a deliberate decrease in the quantity of money, artificially, arbitrarily, through legislation, would be an evil causing great suffering to a whole people, plus a crime.

Now, then, is a natural relative increase in the quantity of money, an evil, causing great suffering to a whole people, as alleged by M. Chevalier?

Is it true that the discoveries of the rich gold mines of California, and Australia, and the Oural mines, and the mines of Siberia, were by reason of the increased quantity

of money, an evil, causing great suffering to the whole people of the civilized world?

Is it an evil to have a natural relative increase in the quantity of money which can be devoted to productive industries?

We all know that the daily papers are frequently filled with alarming threats, that no new money will be devoted to productive industries, and that the money now so devoted will be withdrawn. What then becomes of that threat? If the decrease in the quantity of money, and consequent appreciation of money, be a blessing, then that threat should be a blessing in disguise. We know it is not.

But, what if then a new mine were discovered, doubling the quantity of money, and the owners of that new money were, driven by greed, to devote it to productive industries? We would have no thanks to give to those who made the threats. Would that discovery be an evil for the people, or would it be a disadvantage, and a disappointment, to those who made the threats?

M. Chevalier points out, on page 124 and following pages, what is most clearly manifest to us all. He points out that the holders of English government stock, and, likewise, all holders of other government bonds, while receiving the very same number of pieces of money of the same weight and fineness as before, would not be able to buy as much commodities with them as before. And those bond holders would remain in this position, with little hope of relief from nature, no matter how much the rest of the people might increase in prosperity. Their hope would be that, in the course of nature, the increase of population and wealth would restore the previous relative proportions of money and commodities. But we know that an age preeminent, among ages, for its avarice and lust, will not be satisfied with any such postponement

of the gratification of its desires. The government stock of England approaches *four billions of dollars.*

Mulhall's Dictionary of Statistics, page 260, gives the world's "*public debt* stated in millions of *pounds sterling* as follows: 1713, 119; 1763, 283; 1793, 610; 1816, 1649; 1848, 1736; 1870, 3876; 1889, 6160."

Thus the public debt of nations has increased ten fold in a hundred years; and in twenty-three years since 1870, the increase is 2284 millions of British pounds sterling, or an increase of eleven billion four hundred and twenty million dollars! The greater part for war.

The greater part of this fabulous mass of debt was floated in *London.* It was floated at a discount and must be paid in full. No one can deny there is an enormous temptation there to resist either a natural or artificial increase in the quantity of money, which, while leaving the number of pieces of money to be paid in interest the same, would cause each piece of money to have less value or market price in commodities.

M. Chevalier says: "All those persons, whose incomes expressed in monetary units remain the same, would be injured by the change to the extent of half of their income, all other things being equal. The national creditor is the characteristic type of this class of sufferers."

Then he enumerates the classes who, in his opinion, would suffer. Those are: The pensioners, until their pension should be increased, all persons who should have lent money for a long time on mortgage, all those who lived upon fixed incomes of long duration, and all those proprietors who might have let their land on long lease (he also gives individuals or companies who were in receipt of annuities in payment for loans of capital, but they already come under the head of "lent money for a long term"), the civil and military public servants, who find it difficult to obtain an increase of pay, the liberal professions, such as

barristers, physicians, professors of every kind, engineers, architects, and a multitude of agents of every description, and, lastly, most important of all, the working classes.

In fine, in his very conscientious enumeration of the probable sufferers, from an increase in the quantity of money, he does not appear to have ommitted a single class, so that there would be none who would not suffer. There would be no gainers, in his view. Then the civilized world must have been given over to intense suffering after the gold discoveries of 1849. And that by having metallic money the quantity of which was entirely beyond the control of men. Was it, then, so? M. Chevalier proved too much. It was not so. On the contrary the increased quantity of money was the main cause of the advance of prosperity by "leaps and bounds," in which every civilized country shared for a generation. But measures of arbitrary interference were quietly on foot. Hints on how to work were found in past history. There had been quiet nibbling, also, at the question in the early part of this century. There was the "resumption" in England, in 1819-1823, after twenty-seven years of not paying in gold called "restriction." That hint was followed by the American law of 1834, which changed the ratio of silver to sixteen to one, which was, practically, to close the mints of America to silver, because it was manifestly more profitable to send silver to France, to be coined, where one ounce of gold would be given for fifteen and one-half ounces of silver, instead of sixteen ounces as in America. And that only fell short of total demonetization. So much for nibbling. Now come the acts in quick succession, acts which cannot be hidden away. There was the Latin Union, closing the mints of Europe to silver. Then came the audacious acts with all disguise thrown off. There was the wholesale, open, demonetization of silver by Prince Bismarck—who boasted that by his forged dispatch

he brought on a war which caused the slaughter of hundreds of thousands of human beings. Is it not justifiable to look with grave attention, and with grave suspicion, upon the act of such a man? Then came the demonetization of 1873 in America. Then came the "make-shift act" of 1890. Then came the demonetization by Austria in 1892. And, lastly, India forms the rear guard in the long-drawn-out procession of *marauding acts.*

And this has been attended by a great prosperity—this decrease in the quantity of money? Has it? Are there no thunders of discontent shaking the civilized world to its foundations? Are all the vast assemblies of working men in all lands rejoicing, not cursing and complaining? Is all the horrid recitation of suffering but a nightmare? Or is it not very real?

The "financial" policies of nations were directed by a few. The financiers stand in the "dock," before the world, and hear the indictment repeated from every side—and what an indictment! They may look helplessly and hopelessly, at each other, but in vain do they look for escape. Their advocates may argue and argue, but, they cannot obliterate those *acts*, which are recorded, before all men, for all time, and registered before *high heaven.*

The acts are those whereby they decreased the quantity of money, artificially, and, arbitrarily, through legislation, knowing well the effects which those acts would have. Is there no mercy? None. No softening of the indictment? None. They showed no mercy. They shall receive no mercy.

M. Chevalier, in the work already referred to, on page 31, says: "Let us insist upon this truth, which may be given for another definition of money. . . . . . pieces of money are merely ingots of uniform weight and fineness for each description of coin, and certified as such by Government, by means of an impression which it stamps

upon them. They are so much and no more. Government places its mark on them in order to attest their uniformity, but there its mission and its duty end. The form which it gives them, the effigies and inscriptions with which they are impressed, are of precisely the same character as the marks stamped upon silver plates or spoons, and which are a guarantee that the government has verified its fineness."

Now, excuse me, but there is something more. Let us see:

Take a piece of gold or silver, untested, and without any mark, and which every one would have to test and to judge for himself.

Then take a piece which has been tested and marked, and marked by government, not by private persons, and certified as to its weight and fineness.

It is scarcely necessary to say which would be preferred by all persons.

M. Chevalier, and every other writer, has stated that the government mark was a great improvement. And a great improvement made the stamped metal much superior to the unstamped metal. And the stamped metal, being much superior, would, of course, be in much greater demand. But a greater demand must needs cause a greater value. And that which partly caused the greater demand, also caused, through that, a greater value or market price of the metal.

But excuse me there is yet more. The government also, by fiat of law, declared and enacted, that the said metal should be full legal tender in redemption of all debts public and private, and also enacted that nothing else should be invested with that special privilege.

Will any one look me straight in the face, and say that the said special and extraordinary privilege did not cause the metal to be in much greater demand? Nay! the

act of government made the metal absolutely indispensable, so that every one was, not merely tempted, to buy the metal, but every one was actually compelled to buy the metal, in order to be able to pay debts.

Ah! There is something, more than merely ingots there, more than uniformity, more than weight and fineness, more than certification, more than stamp, more than effigies and inscriptions, more than "the marks stamped upon silver plates and spoons." Nay! my friend, more, even, than a guarantee. There was the legal tender fiat, and the guarantee, which none other things possessed to give them an enhanced value or market price.

Still, more, there was the Indispensableness. It is an unquestionable truth. Yes! M. Chevalier—"Let us insist upon this truth."

In connection with the subject of widespread suffering, above referred to, the outrageous doctrine is put forward, in this infidel age, that work should not be provided for the poor by the public authority.

Here is the true doctrine, from "Hill's Moral Philosophy," p. 238: "In considering the matter proposed by the above objection, it will help towards clearness of thought to distinguish different classes of poor people. Under the first may be included all industrious laboring or working people who, we shall suppose, wish to live only by upright and legitimate means, but who, here and now, cannot obtain wages that suffice for their support. It is, *without any doubt*, the solemn duty of public authority to protect them in their natural right to the necessary means of living." Here is a Jesuit, Rev. Walter H. Hill, S. J., Professor of Philosophy in the St. Louis University, an American Jesuit, writing this in his work as far back as 1878, and he took it from the great Jesuit Suarez, who, three centuries ago, denounced and combatted the heresy of the Divine Right of Kings. And the doctrine is abun-

dantly confirmed by Pope Leo's Encyclical on the Condition of Labor. And yet the ignorant little modern infidels, with a lie on their lips—for they live by lies—say that the Jesuits are the enemies of progress and liberty and of the working classes. Why, the Jesuits were the pioneers of liberty, for centuries before these empty-headed lying infidels were known or heard of or thought of.

But there are too many Catholics who *act* the infidel in spite of the teachings of the supreme pastor of the church.

IV.

FINANCE.

The public discussion of financial questions, eagerly carried on everywhere, the measures proposed in Congress, and the recent Monetary Conference, convoked at the instance of the United States government, make quite manifest this truth that the United States has not a satisfactory system of finance.

We need only glance over the history of American and English finance, to perceive how closely interwoven are the financial systems of the two nations; and that their financial legislation has been purely tentative, experimental, feeling the way.

However, this observation is not advanced in censure, but rather, in approval of the tentative and cautious, as a method.

From the nature of the financial question, it consults best for the public good, to move cautiously.

Even when one system may be seen to be better than that which now exists, the change ought not to be made too abruptly or too rapidly.

The financial legislation of this century has one very striking character—or mark. It was purely arbitrary. That is very objectionable.

The masses of the people, who, theoretically, are rulers and sovereigns, have never yet been fairly and squarely asked and given a fair opportunity to decide what system of finance ought the legislative body to establish.

It is true that the people, themselves, ought to be guided by the eternal principles of justice. But, hitherto,

the few have said, with an assumption of mastership not granted by the Constitution: "We will manage the finances, let the people manage all the rest."

The system which the few manage necessarily requires, as an inevitable part of it, that they should manage the tariff.

In no country, as yet, have the people obtained that control over the tariff which belongs to them; and the Democrats, who, as a rule, hold fairly sound views on the tariff, still, laughably, stultify themselves by the glaring contradiction of adherence to the system of gold-monometallism now existing.

The late J. W. Gilbart of the London and Westminster bank, in his work on Banking, Vol. 1, page 330, wrote: "We consider that any system of administering the currency, which prohibits the banking institutions of the country from granting relief to the commercial and manufacturing classes, must be unsound. We should condem such a system at once, even if we could not detect the fallacies on which it was founded. In political economy we can judge of principles only by their practical effects—and any system which produces these effects must be unsound. When seasons of calamity occur, it is not for the national bank to exclaim, "*sauve qui peut.*" They ought to co-operate with the government in attempting to relieve the distress, and to preserve the tranquility of the country."

Now, assuming that the financial principle, herein contained, will be readily conceded, we must, then, consider the ability of the government and banks to carry out their very laudable desires.

It may be said, to be rid of a very troublesome question, that we must always have these panics. It is untrue.

It may be said that we must always have wars to slaughter hundreds of thousands of human beings. It is untrue.

These things can and must be stopped; if those who have taken control of affairs, and all who desire the rule of law and order, wish to avert, as I, certainly do, a furious uprising and a worse than the reign of the guillotine in France one hundred years ago.

From such a terror God save us all.

We know that the "banking power" of England and of America has increased ten-fold in the last fifty years, and this means a more onerous responsibility imposed upon the government and the banks.

The figures are given by Mulhall, in his Dictionary of Statistics, p. 75, as follows: "It appears that the amount of capital employed in banking has almost doubled since 1870, and multiplied ten-fold since 1840. In 1840 it was £308,000,000; in 1870 it was £1,602,000,000; and in 1888-90 it was £3,197,000,000, or in American money, $15,935,000,000. The capital in railways has increased from £41,000,000, in 1840, to £5,736,000,000, in 1888, or in American money $28,680,000,000. Total between banks and railways $44,665,000,000. Then we have the enormous development of government bond issues in this century ,which, in themselves, make the present financial conditions essentially different from anything recorded in history.

This naturally suggests the thought that revolutionized financial conditions, which have stolen upon us almost unawares, imperatively require a change from primitive and ancient systems and methods to such as may be suited to the accomplished fact of changed conditions. In former times money was loaned upon bona fide commercial bills, upon chattels and personal security, and upon mortgaged realty. But the loaning of money on stocks, bonds, and shares,and on "watered railroad and mining stocks" at that, brought an entirely new and disturbing element into the field.

I know, for "I speak by the book," that there are bankers and financiers who think that money should be withdrawn, by banks, from investment in commercial paper, and chiefly invested in bonds, stocks, and shares. They look upon loans to farmers as a paltry business for banks. They want to deal in big loans, with other people's money entrusted to their honor, up in the millions of dollars, on what they grandly call readily convertible securities.

Thus it is that we hear all the senatorial speeches addressed to the subject of "confidence" in "our securities." Thus it is that we hear it put forward, by men who are no longer ashamed of their degradation, that London stock brokers and financiers will buy our "securities" if America finances exactly to suit those London "sharks." But if we do not suit the London "sharks," woe to America! That is to say, this great American republic, with sixty-five millions of people and sixty-two billions of wealth, cannot live, cannot carry on business, unless the "aforesaid" *London sharks* are quite satisfied to let it be so.

Now let us talk plain "*United States*" language. It would be no loss, but the release from a great curse, if the stock exchanges of New York and London were to fall through the crust of the earth and never to stop until they reached the centre of "Hades."

Here is a description given by that eminent exception among London bankers, Mr. Gilbart, Vol. II, page 336: "The railway accounts had long been 'cooked,' and the too well known results of the process followed—sudden and enormous depreciation of railway stock, widely spread distrust, a drain upon the American bank, and failures shaking commercial credit to its centre. The proximate cause of this terrible crisis in America was the stoppage of the Ohio Land and Trust Company, an establishment which made advances on financial securities, and which, at

the time it stopped payment, held deposits to the amount of $6,000,000. Hereupon, a deliberately planned system of 'bearing' operations was put in movement, which was described in the *Times*' city article of September 10, 1857, as follows: 'There is actually a powerful combination for the avowed purpose of bringing all the principal undertakings to ruin. A large body of active persons are known to be associated for the purpose: they influence the press to work out their views, and are alleged not merely to operate with a joint capital, but to hold regular meetings, and permanently retain legal advisers, whose chief vocation, it may be assumed, is to discover points that may enable the validity of each kind of security to be called in question, and thus to create universal distrust.' "

Again in 1873, it was the same old song, "securities" had to be realized and consequently prices (of securities) fell. Huge 'bear' accounts were opened, which still further depressed prices (of securities).

And now in 1893 it is the same song still. Even as I write, I take up the daily paper and read "whiskey ring squeezed" and again "confidence returning, American securities rise in prospect of the repeal of the Sherman act."

Let us face the truth. A million of honest American citizens out of work and starving, cannot obtain the sympathy, much less the patriotic championship roused to just anger, of the American press, as these poor distressed stock brokers obtain it on the least disturbance of "securities."

Can anything be more humiliating? Why one would think that there was no other business, no other industry, in all these United States, except "securities."

Now billions worth of negotiable bonds are at all times suspended, threateningly, above the money market. No one can tell how much may be used at a moment to disturb the monetary system as at present established. These new conditions with the new gold monometalism

established, arbitrarily, by legislation, necessitate large gold reserves, which, it is plain do not make gold more abundant or cheaper; and, as nothing is plainer than, if international trade be left free and unrestricted, men will, most assuredly, export gold whenever it suits their own finances to do so; and as this renders the country liable at any moment to be deprived of legal tender, even if only for a time, so that daily debts cannot be daily paid, when such a crisis occurs; therefore it is, quite naturally, as an inevitable part of the gold monometallic system, that the financiers have been, by absolute necessity, obliged to look around for some artificial restriction on the freedom of international trade, which can prevent that outflow of gold which takes place in the natural course of free trade.

England has found the "Bank Act of 1844" as a "make-shift."

Other countries have resorted boldly to the more direct means of "the high tariff" or mercantile theory, as the only way of retaining gold. Both means, the direct and the indirect, are violently opposed to freedom of international trade. Both systems have, in the presence of all men, manifestly failed in securing the end for which they were established, to-wit: To keep gold in the country by artificial means. Not only have they failed, they have intensified the sufferings of panics.

Here we have, at its source, the influence which is pressing France, Germany, Russia, Austria, and the United States, to maintain the "Chinese wall" of high tariff, to procure and to maintain *gold reserves.* This is the only offset, which they can devise, against the English Bank Act of 1844. They cannot, possibly, from the nature of the case, avoid adopting some artificial means of restriction. But there can never be freedom of trade where there is such artificial restriction.

Thus we have visions of that warfare which Bastiat described, to him an amusement, a subject for wit, to us a terrible oppression, of tariff against tariff, of gold-bond issues against gold-bond issues; even wars of conquest, wholesale slaughter of human beings, to gratify the avarice of financiers and the ambition of royalty; ruin aud desolation everywhere.

It is nearly a century since the civilized world became convinced that money is not the only wealth, and that such an erroneous notion was the real basis of the old mercantile theory and of high tariff, and the chief obstacle in the way of the full blessings and benefits of international trade.

Yet, by some unaccountable fatuity, men cannot be induced to follow out these views to their logical conclusion.

They have discussed the tariff by reference to statistics of trade and wages, but without any reference to gold-monometallism, which is absurd. Gold-monometallism is at the bottom of the whole question.

The old mercantile theory, so much derided, had this element of truth in it in the past, that, at least, the tariff brought gold into a country and kept it there, even if it put a stop to international trade. There were no bonds to be sent through the mails then.

The free traders admitted the fact, but scoffed at the stupidity of such a policy, argued that gold is not the only wealth, and that even avarice might be more abundantly gratified by a more enterprising policy. This was the triumphant cry of the great discoverers in "the Lone Dark Continent" of political economy—that gold is not the only wealth. But, if in spite of this, monometallism is by artificial means. arbitrarily, forced upon civilized nations; and if such a course is upheld by the free traders of America and England; we may be excused for expressing intense surprise, at such glaring inconsistency, and at such violent

restriction of the freedom of trade. Further it seems nothing short of absurd, to say that the British Bullion Report of 1810 has established the doctrine that it is one of the fundamental laws of finance that each nation will have just as much gold as it needs. It, certainly, is not easy to see how, under free trade plus the arbitrary restriction of free trade, through gold-monometallism, plus the English Bank Act of 1844, plus the American National Bank Acts, plus the tariff, the different nations could possibly have a sufficient supply of gold, at the right time, just when it was wanted. As a simple matter of fact, plainly visible as the noonday sun, the nations do not obtain that sufficient supply Hence the "panics" of 1825, 1836, 1839, 1847, 1857, 1866, 1873, 1878, 1891, 1893. "Next?" These "panics" were not caused by the absence of a gold basis. Panics do not arrange themselves so as to suit the convenience of all nations. In vain would we piteously beg: "Wait until we are through and then you can have your panic, all to yourselves."

"Panics" are inexorable. They attack all gold-monometallic nations, at once, most impartially.

It is a surprising popular error, not the error of the workingmen, but the error of persons who pretend to educate, to speak of England as a free trade country. "British Free Trade" is buzzed into our ears.

Now before England enacted the free trade measure of 1846, she passed "the Bank Act of 1844."

Under the free trade act, gold, naturally, rushes out at times, as through an open sluice. Under the "Bank Act of 1844," the Governor and Directors of the bank of England rush to "put on the screw."

The telegraph goes out over the empire, and over the earth, and it says "Bank rate raised from 2 to 3 per cent per annum." Then one rise follows another in quick succession, from 3 to 4, from 4 to 5, then 6 per cent, then

ugly rumors begin to circulate, then from 6 to 7, and to 8 per cent, then public uneasiness displays itself, then from 8 to 9, to 10, 11, and even 12 per cent—the empire quivers, and the whole commercial world feels the shock. Imports are checked. Exports are forced. Free trade is stopped as if by an air-brake.

Who shall be able to compute the cost to the trade of the British Empire by this process and excessive rate on commercial paper?

Perhaps we may be allowed to give, here, a description of what takes place, in the exact words, of an eye-witness on the spot, the celebrated English Banker, Mr. Gilbart, already quoted, as we do not think it is very rash to assume that he, at least, knew the facts, even though his reasoning might be objected to by the champions of gold.

In Vol. 1, page 154, he wrote: "I have already stated that an increased issue of notes can have no effect upon the prices of commodities at home, but by influencing either the supply or the demand. If the increased quantity of money raises the demand for commodities beyond a certain point, it will advance the price. And if it increases the supply it will lower the price; but in no case can the quantity of money in circulation affect the price of commodities but through the channels of supply and demand. Just so with the foreign exchanges. An unfavorable course of exchange arises generally from our owing a sum of money which we have to pay in consequence of our imports having exceeded our exports (imports of bonds as well as of goods). An increased quantity of money, therefore, to affect the exchanges must diminish the amount of our debt, and it can do this only by either increasing our exports or diminishing our imports. When money is abundant our merchants can import more than formerly. This increases our debt. The importers are disposed to lay in stocks of

goods, and the competition between the importers raises the price they give to the foreigner. Hence there are heavy sums to be sent abroad. It is true that when money is abundant our manufacturers and exporters can also export more goods, but the competition among exporters diminishes the price to the foreigner, and hence we have a less proportionate sum to receive. The exporter, too, having abundance of money, gives the foreigner long credit, and hence the money is not received in England for a considerable time after the goods have been shipped. In the meantime the exchanges become unfavorable, and gold must be sent abroad. (He should have said here—to save a few, the little cost of sending something else). Now, then, the importer having already a heavy stock of goods, will buy no more; he is anxious to sell, for he has not now sufficient capital to keep so large a stock. A general desire of selling will cause a fall of price. Fewer commodities will now be imported, and these obtained at a less price, hence there is less money due to the foreigner. The exporters on the other hand, deprived also of their usual accommodation, cannot carry on business to the same extent—the supply will be reduced—the competition is less, and prices rise to the foreigner. The exporters, too, can not give such long credit as formerly; they will call in the sums due to them, and hence, more money must come in from abroad. As then we have to pay other nations a less amount of money for our imports, and they have to pay us a greater amount for our exports, the exchanges will become favorable. It is obvious that this operation will cause great embarassment in trade; in fact it is only by producing embarassment that a contraction of the currency can effect the exchanges." (All this does not include the slaughter of prices in a crisis.)

Now, in addition to all this we have to consider the enormous amount of English investments abroad. Forced

by this arbitrary restriction, under free trade, the holders of property abroad sell their property, perhaps, or raise loans upon it abroad, which is equal, in effect, to the export of so much more commodities at "selling out" prices, or enormous sacrifice; and then there are those millions worth of foreign bonds, the sale of an immense quantity of which is also forced, under what is called free trade, and this also, in effect, is equal to an enormous addition to the export of commodities.

Contemplated long and deeply, from this point of view, England, so far from being a free trade country, would appear to enjoy (?) the highest and the most subtle, and the most extravagant, tariff, of all the countries in the world. That may account for their objections to other countries adopting a tariff—England does not want to see her "thunder" stolen. It interferes with the working of her own indirect tariff, from which, by the way, the government derives no revenue.

It is as if, in one year, twelve times the amount of produce has to be sold, that would have bought a dollar the year before.

But if the bond holders, the stock brokers, and the financiers derive benefit, the burdens of laborers, of the agricultural classes, of legitimate traders, of all debtors, of all tax payers are enormously increased. And this, not through the natural ebb and flow of trade, but through the effect of the purely arbitrary bank act of 1844. And yet England is, curiously, and we think, most erroneously, called a free trade country.

And the bank act is based on the bullion report of 1810.

And it is dogmatically propounded, by some, that the bullion report is the true basis of finance, and that the said bullion report is, and ought to be, the basis of American finance.

Professor Sumner, of Yale College, writes in his "History of American Currency" that the doctrines of the British bullion report "have been established as the basis of finance . . . . they have passed the stage when the scientific financier is bound to discuss them."

We may smile at this off hand way of settling a difficulty, but we must admit that the professor is more honest than many other American writers on finance, who would most vigorously deny that the great "American finance" is a school boy copy of England. It certainly is "established" in law, but certainly is not established in logic.

Before the bank act of 1844, the Bank of England rate of interest was changed only eleven times in a hundred years, from 1742 to 1843, inclusive, as shown by Mr. Gilbart's tables. Since the act, in fifty years, the bank rate has been changed about four hundred times. Here is a continual disturbance and fluctuation in trade. And, with this arbitrary act staring them in the face, men still, in the simple, innocent, confidence of childhood, call England a free trade country.

But we have yet to consider other effects, and the effects, invariably, extend to the United States. By the test of experience—since Professor Sumner claims such experience is in his favor—let us judge of the efficiency of this famous act even for the purpose for which it was arbitrarily enacted, namely, to procure gold at all cost, by arbitrary means as it would not come naturally.

That it has not sufficed, is clearly proven by the panics of 1847, 1857, and 1866, and by the suspension of the bank act each time. Why was the bank act suspended? Because it was proved beyond the possibility of doubt, that England was totally unable to procure the gold, either by artificial or natural means, and that the continuance of the artificial effort would have bankrupted the whole British Empire. In 1861 the failure of the

system, tested by experience, compelled the Bank of England to go as a borrower to the Bank of France, for the paltry sum of fifteen million dollars.

Writing of the panic of 1847, Mr. Gilbart, in his work on Banking. Vol. I, page 331, says: "A severe pressure has taken place and in consequence of this severe pressure, the act was suspended. It has been denied that this pressure was produced or increased by the act. But how stand the facts? The act was passed, and, as predicted, a pressure came; the act was continued, and, the pressure increased; the act was suspended and the pressure went away. These are not opinions—they are facts."

But what shall we say of the awful widespread misery caused by each of those panics? They form an indictment in themselves. In the history of those cruel panics, evidence is piled upon evidence, until the most exacting demand for "complete induction" must be satiated.

Here is an extract from Mr. Gilbart's work, page 341, Vol. 2: "The houses which in 1847 and 1857 have stopped payment before the relaxation of the law, may well complain that, while they have been crushed by the operation of the Bank Charter Act, others not more solvent or of higher standing than themselves, have been saved by the suspension of it. . . . . The following was the account given by the *Times*, in its impression of May 12, 1866, of this bewildering scene: The doors of the most respectable banking houses were beseiged, more, perhaps, by a mob actuated by the strange sympathy which makes and keeps a mob together, than by creditors of the banks; and throngs, heaving and tumbling about Lombard street, made that narrow thoroughfare impassible. The excitement on all sides was such as has not been witnessed since the great crisis of 1825, if indeed the memory of the few survivors who shared that panic can be trusted when they compare it with the madness of yesterday. Nothing

had happened since the day before to justify such a fear as was everywhere shown. Rumor, however, like the false woman in the Laureate's legend 'ran riot amongst the noblest names,' and left no reputation unassailed. Each man exaggerated the suspicions of his neighbor; and until a report at the time unfounded, was circulated in the afternoon, that the government had authorized the bank directors to issue notes to the extent of five millions ($25,000,000) beyond the limit imposed by the Bank Charter Act, it seemed as if the fears and distrust of the commercial world had become boundless. . . . . A greater crash has never taken place in any one week in any country in the world. Looking at the list of suspensions, it will be seen that their business ramifications are more than European. More or less they embrace all the four quarters of the world, and we have yet to feel the reaction from the effect which the news will produce as it extends from point to point." And this is only one of the tests, by experiment, of gold monometallism.

In the letter signed by W. E. Gladstone and by Lord Russell, dated May 11, 1866, and addressed to the Bank of England, we read: "The accounts and representations which have reached her majesty's government during the day exhibit the state of things in the city as one of extraordinary distress and apprehension." By this letter the bank act was suspended on the condition that the bank rate of interest should not be less than ten per cent.

But nevertheless it has been said that the bullion report of 1810 and the bank act of 1844 have been "established as the basis of finance, and they have passed the stage when the scientific financier is bound to discuss them."

Writing, in connection with this question of gold monometallism, Mr. Chas. S. Devas, in his "Political Economy," page 281, says: "And why is there such dis-

tressing violence in the discussion? This is because the interests of different nations, classes, and persons, are at variance. There is first the fact that the rise of the exchange value of gold in recent years is a gain to England in general as a great creditor country receiving interest reckoned in gold from half the world, and a gain in particular to the bankers and financial houses of London as the holders of innumerable mortgages. On the other hand, such debtor countries as have to pay in gold the interest of their debts, and the debtor classes of the United Kingdom, notably the landowners, suffer by the fall in prices."

When he asks why is there such distressing violence in the discussion we may say that Cardinal Manning wrote that he had no patience with Professor Huxley for hindering General Booth in the work of giving food to the poor. We cannot converse about widespread suffering of the working people, as though we were at a conversazione and nothing at all the matter. We may ask is robbery of the rich few any more detestable, when effected, by arbitrary expansion "under form of law," than the robbery of the toiling millions when effected by arbitrary contraction "under form of law?"

Let us consider the evidence or facts, cited by an amiable non-Catholic English writer, in regard to a part of the contraction scheme which has been systematically carried out for half a century. We may, then, perhaps, be exonerated from the charge of undue partisanship in the statement of facts.

Professor Fawcett, M. P., of Cambridge University, in his "Manual of Political Economy," on page 482, quotes Cairnes and Jevons as authority that gold depreciated in value after the gold discoveries of California and Australia. They estimated the depreciation of gold at ten or fifteen per cent. But the exact figure is not the point, here. If

gold did not depreciate after such an enormous increase of the supply, then gold would have proved itself the exception to the cardinal rule of commerce which Mr. Cobden gives in his preface to the work of M. Chevalier, already quoted in these papers, that an increase in the quantity of a commodity must reduce its value. If gold did *not* depreciate, then our opponents need no longer be afraid of an increase in the quantity of money which is proposed in the free coinage of silver.

Professor Fawcett writes on page 479: "Just prior to the discoveries in Australia and California, the annual aggregate yield of gold was not more than fifty million dollars. This amount was, however, at once trebled by the additional gold obtained from Australia and California, for during the five years between 1852 and 1857, no less than fifty million dollars of gold was *annually* yielded by *each* of these countries."

Now, one would suppose that this increase in the supply of gold would be hailed as a blessing by the prejudiced advocates of the "gold basis" and by those who thirst for "an influx of capital." But far otherwise was the fact. It is easy to see from what has already been said as to the benefit to bond-holders arising from contraction, that they would not be pleased at this unpardonable inflation of the currency by Dame Nature. Of course, we must suppose that Dame Nature was, therefore, guilty of one of the "most detestable robberies" which have disgraced this age. The effect was, precisely, the same as would be the effect of the inflation of the currency, by inconvertible government paper money.

Here we may observe, as to the difference between "convertible" and "inconvertible" paper. Convertible paper is credit; inconvertible paper is not, it is the redemption of credit. Credit is not a substitute for money as is, curiously, supposed. Credit is a demand for money—and

an imperative demand, which must be redeemed in money. Credit intensifies the strain and the demands for money, and is not a substitute for money. A demand for a thing is not a substitute for a thing. On the contrary a new demand for a thing tends to make that thing more difficult to obtain. Hence "convertible" paper is just the thing which should *not* be issued.

Professor Fawcett relates, on page 491: "Some have considered, that if the fund-holder's property should be depreciated in the manner just described, they would have a legitimate claim for compensation from the nation. Such a claim would be more plausible, if gold had been depreciated in value so suddenly that it was impossible for any one to take timely warning. The claim, however, under present circumstances, would be manifestly indefensible; *for the possibility of a depreciation in the value of gold has been discussed and predicted for the last twenty years.*" (Mark well, here, the full advertence before the deliberate act.)

How Professor Fawcett could regard the claim for compensation as "plausible" under any circumstances, in view of the fact, that the inflation was *natural*, is a puzzle.

For, here, the inflation was not caused by the arbitrary act of a government; but, by the arbitrary, impertinent, meddlesome, dishonest, *act* of *dame nature.*

But, Professor Fawcett relates how Nature took compassion on the poor distressed bond-holders and came to their relief; and the bond-holders and their allies did the rest themselves, when, after "twenty years" of discussion they saw, exactly, what was the matter; and the remedy, available to relieve them, from the "robbery" of natural depreciation. For, then, came enormous development of railroad systems, of ocean steamers, and of commerce, everywhere. Are there no such opportunities now, instead

of the wasteful and destructive wars which are now being planned?

That absorbed much of the new supply of gold, very fortunately. Then, we read: "Soon after the Indian Mutiny there was a large and continuous export of silver to India. In some years the amount exported was not less than thirty-five million dollars. This was more than the new product of gold. Then no less than four hundred and fifty million dollars was raised in England for Indian railways . . . it has, in fact, been ascertained that great quantities of silver were taken from the currencies of France, Germany, and other continental countries, to supply this export to the east. The void thus created in the silver currency was to some extent filled up by the more extensive use of gold, and by the issue of a paper currency of small value. This increased use of gold indicates another source of absorption of the additional supplies which were obtained from Australia and California."

The bond holders and their friends having thus learned a lesson, profitable to themselves, proceeded to act upon it without much unnecessary delay; and the deliberate, arbitrary, and dishonest, acts of various governments, may be related in the impartial words of Mr. Fawcett, who was a champion of gold monometallism: "There seems to be every probability that silver will in future be much less used for the purposes of currency by various European countries than it has hitherto been, and that as gold will take the place of this silver, an additional *demand for gold* will thus be created. Germany has, for instance, within the last few years demonetized silver. A considerable portion of her small note circulation has also been called in, and she has since 1871, purchased no less than three hundred and fifty million dollars, of gold, to take the place of the silver and the notes which have been withdrawn from circulation. In 1865 France, Switzerland, Italy

Belgium and Greece, formed a combination which is known as the Latin convention, and they subsequently agreed that for some time to come they would greatly restrict their coinage of silver. There can be no doubt that a considerable amount of additional gold has been employed in place of silver which would have been coined and circulated, had not this agreement been entered into. Holland has recently decided to adopt a gold instead of a silver standard. She will also require a large amount of gold to affect this conversion of her monetary standard. It seems not improbable that many other countries, even if they do not demonetize silver, will considerably diminish the amount of their silver coinage, and thus an additional demand for gold will be created."

Now by the confession of the gold men, nay by their complaints, it is perfectly clear that such stupendous, arbitrary, changes in the monetary systems of so many countries must have the gravest consequences to the working people. Is there no law of justice above the rulers of the world, to bar the path of this advancing infamy? We know there is and we appeal to it. "May God arise and may His enemies be scattered." The enemies of God are the enemies of the working classes.

After all this, came the demonetization of silver by the United States in 1873. And, now comes Austria last year, to demonetize silver, and thus an additional demand for gold has been created. And, now comes India this year to close her mints against silver, and thus an additional demand for gold has been created.

No wonder that gold should have become enhanced in value, or market price. No wonder that silver should have been depreciated in its market price estimated in gold. No article, not even gold, can retain a market price if all nations conspire to cease buying it and sell it, or offer it for sale, in fabulous masses, as is the effect of wholesale

demonetization. The most worthless article at present would acquire an enormous value or market price, if limited in quantity, and all nations conspired to buy it. If nature now conspired to produce five times the present supply of gold, none would curse more loudly than the gold men. Their outcries would be something awful if, furthermore, all nations conspired to cease buying gold for coinage, or in other words, demonetized gold, and then offered it for sale in huge masses. For what, then, would become of the value or market price of gold? In plain words, gold would then procure a very small quantity of other commodities in comparison to the quantity which it can now procure. It would be perfectly futile to deny that the bond holders and great capitalists, everywhere, denounce, as robbery, through their hired "claqueurs," any attempt to expand the currency. It is well that this accusation is so publicly, and so universally, made, for they, the bond holders, are, now, left without an answer to the proposition that, therefore, contraction of the currency, was robbery. For it could not possibly be that expansion would take from them unjust gains, unless contraction, per contra, would give to them as much, and more. The bond holders are proved to be the direct beneficiaries of "contraction." Whether done through gross ignorance, or through fraud, is another question.

Here let me observe that it may be said that I should soften my indictment, make myself "persona grata," try to be more pleasing to the world. It *has* been said! To that I reply that the "man and his ass" fable is a caution; for he tried to please and disgusted everybody by want of fixed principles. A man could enter upon no more dangerous course, I, verily, believe. Let him write for truth and justice, and not for the sole purpose of trying to please at any cost. It is this inordinate desire to please, to be pleasing to the world, which is at the root of most of the infidel

writings of our day, and not, so much, a malicious rebellion against God. There are some who are malicious and fierce; and the others write, in abject fear of denunciation by rabid infidels; and then the jelly fish writers call this miserable dishwater "charity"—to give themselves the air of dignity. But they fail to be dignified. They are utterly contemptible. An inordinate desire to "stand in" has often led men, without perceiving it until too late, to become participators in conspiracy. It has always been the most fruitful parent of lies. True charity will defend the oppressed with the sword of truth, more powerful than armies, and it will prevail.

Mr. Ernest Seyd, in his work "Bullion and Foreign Exchange," page 41, writes: "During the height of a commercial crisis the bullion of the bank generally falls very low, which naturally leads to a panic in the money market, attended with great commercial distress. From their suddenness and severity (and very sudden and severe it must be admitted they are) these events cannot but exercise a most adverse influence *upon the general prosperity of the people.* This subject would involve a long discussion on the bank act, for which, however, we have no space to spare here."

Now considering there is question of "the general prosperity of the people," he might, without loss of dignity, have spared space, and a great deal of space. We have, elsewhere, said that bullion is shipped when it pays, or suits the shipper to ship it.

It will be well, then, to consider upon what slight amount of percentage so much depends; for, with gold monometallism, it depends on the premium on bills of exchange drawn on foreign cities, whether gold shall be shipped or not; and upon that, again, depends whether a country shall have a "panic," with all its horrors, or not. It is the bullion brokers who, chiefly, do the business. Mr. Seyd

says, page 256: "The banker or merchant has simply to receive or to pay the money, and to verify the accounts made out by the broker. There are many houses in London who in the course of their career, have dealt in many millions' worth of bullion through the agency of brokers, without even having seen any of their property."

While we can not agree with the *reasoning* of Mr. Seyd, in his first chapter on the "medium" of exchange, as he calls money, the reports and figures, which he copies into his work, are more useful than his sarcasms are effective.

On page 257, he gives, "Rates of Freight and Insurance for Bullion" from or to London:

		Freight	*Insurance*
Paris	For sums between £800 and £4000 —for every £100	4s 7d	
	For sums above £4000	4s	1-10 per cent
Boulogne, Calais, Antwerp, Rotterdam, Hamburg	For sums up to £5000	⅛ per cent	
	For sums above £5000	1-16 "	1-10 "
St. Petersburg		⅛ "	¼ "
Madras, Bombay, Calcutta		2 "	½ "
Hong Kong		2¼ "	¾ "
Shanghai		2½ "	1 "
Australia		2 "	1 "
New York—per Cunard Steamers—			
	Up to 10,000	½ "	
	" 30,000	¼ "	* ¼ "
	" 50,000	3-16 "	
	Above 50,000	⅓ "	† ⅓ "
California		1⅝ "	1 "
Panama—by Royal Mail Steamers—			
	Gold	1¼ "	
	Silver	1⅜ "	⅝ "
Valparaiso	Gold	2¼ "	
	Silver	2½ "	1 "
Rio Janeiro		1⅛ and 1 "	⅓ "
Cape of Good Hope		1¼ to 2 "	⅜ to ¾ "
Mauritius		2 to 2½ "	⅜ to ¾ "

* In summer. † In winter.

The rates of freight are exclusive of the usual primages; the rates of insurance include discount and com-

mission. The competition between rival steamer lines sometimes reduces the rates of freight on the Pacific side to one-fourth per cent."

Professor Sumner says in his "History of American Currency" that it is "a fundamental law" of finance that "each nation will have just as much gold as it needs." He says this "law" is established by the British Bullion Report of 1810, and, in fact, he adds that the British doctrines "have been established as the basis of finance—they have passed the stage when the scientific financier is bound to discuss them."

Well, after having 24 years banking experience, and 20 years study of Political Economy, I still feel bound to discuss them, and to say that it is precisely because each nation would not have as much gold as it needs that each nation adheres to artificial means.

England herself, France, Germany, Austria, Russia, and the United States, as long as they cling to the gold standard to the extent now existing, would not dare to trust themselves to the doctrine that each will have as much gold as it needs, by dispensing with their present arbitrary, restrictive, artificial means for obtaining, and, if possible, retaining, as much gold as each nation needs.

The old mercantile theory has received a very fair trial under the McKinley Bill, yet that powerful artificial means has not been able to retain "as much gold as the nation needs" or to prevent an enormous outflow.

It would not be easy to imagine any theory more directly, and glaringly, opposed to the evident truth than the so-called "fundamental law" of the British Bullion Report. But it is easily seen at a glance that Professor Sumner's so-called History of American Currency is chiefly a glorification of the stupid British Bullion Report, as "the basis of finance."

And now let us look at results in a nutshell. Credit is contracted all over the country; not because credit was unwisely extended; but because a few men in New York thought fit to buy bonds from Europe which turned the balance of trade, and a few other men thought fit to export gold. Then the law steps in and checks credit. How stupid ! ! !

Furthermore, it is easy enough to see that laws which require gold reserves to be kept by the banks, although on the plausible ground of protecting depositors—which, by the way, they do not accomplish—such laws have for effect to "corner" and thus to enhance the value of gold, as though so much gold had been thrown in the sea, thus reducing the available supply in the open market.

If all nations were now to conspire in passing laws to require the bank reserves to be doubled, no matter what the pretext, the effect would be an absolutely insupportable enhancement of the value of gold.

On the other hand to coin and issue for circulation one billion dollars in silver would really have the same effect as if a gold mine were discovered producing that amount. Then the value of gold would be lessened along with the value or market price of silver relatively to commodities but not relatively to each other. For we must remember that when gold and silver have been coined and put in circulation, they have been sold by the owners of the bullion, and bought by the nation. In like manner an inconvertible paper when issued by government has been sold by the government and bought by the nation. And all three, gold, silver and paper money, are evidences of debt *paid* by the nation, and not evidence of a debt due.

From all this, it is quite manifestly a criminal proposal to speak of issuing gold bonds, causing a huge increased demand for gold, under the lying pretext of maintaining the parity of gold and silver. It must needs effect the

contrary. It is as plain as the noonday sun that since silver has been lessened in value estimated in gold, it is silver bonds which should be issued and offered for silver, in order to restore what is called the parity of silver with gold, which was destroyed by criminal legislation, and it matters not who the criminals were, it is solely with the effect we have to deal.

We have seen for thirty years that American policy has been directed with a view to securing the free negotiation of "our securities" in Europe. But Europe really means London, when we speak of finance.

He must be a very raw student of the politics of the world in this century, who does not perceive that London has Europe, financially, by the throat. Her control of Spain, Portugal, and Turkey dates back sixty years.

Her control of Austria is visible in the recent issue of gold bonds. Russia, even, is subject. All these powers may go to war; but they must regulate their finance to suit London.

It is no longer the Monarchy, or the Nobles, or the Press, or the Democracy, who control nations. It is the great financial body which now rules. But the ruling financial power is London.

To fear to take a certain course because it will displease God, is to be controlled by God. To fear to take an independent course because it will displease London is to be controlled by London. To fear to take a certain course because it will displease the American people is to be controlled by the American people.

No doubt, it may be said, by the *claqueurs*, or Richogogues, as opposed to demagogues, that, after or under the Banking Law, things prospered.

The *claqueurs* who, like Voltaire trotting around at the heels of Fredrick of Prussia, cling to the coat tails of the rich until the orange has been squeezed and the skin

thrown away, they have only fallacies for stock in trade. A favorite fallacy is *post hoc ergo propter hoc*: after the Bank Law prosperity, therefore the Bank Law caused prosperity; after the tariff prosperity, therefore the tariff caused prosperity; after the clerk stole five thousand dollars a year for ten years, the merchant quadrupled his business, therefore the steal quadrupled the business of the merchant.

But things did not go on well *under* the *operation* of the Bank Law. It was when the Bank Law was not in active operation that things went well. But whenever the Bank Law begins to operate actively then the nation of sixty-five millions of people, and all Europe besides, are thrown into a fever of preparation for the faithful performance of what is absolutely impossible. This is the climax of absurdity!

A law is no law which requires the impossible. It is simply an "enacted" absurdity!

For more than a generation we see this everlasting humiliation placarded by the press before the whole American people: "If we do not keep to the gold standard Europe will not buy our securities." The truth straightforwardly is "London will not buy our securities." And there are men who now make the criminal proposal to issue gold bonds, and they seem to glory in their shame.

What is this but to be controlled by London more effectively than if Lord Salisbury resided in Washington, directing the affairs of the American government.

Let London unload our securities at thirty cents on the dollar if she wants to. Let us issue currency to meet it. This is not repudiation. If London wants one hundred cents let her hold "our securities" until due.

One of the most interesting episodes in the recent congressional battle over the silver bill of 1890, was a declaration by a member of congress that the appreciation of gold is a benefit to the workingmen. He argued that

the authority he presented was unimpeachable and showed that workmen's wages had increased in nominal amount, and that the appreciation of gold was equal to a further increase in wages.

This theory is certainly interesting. It is startling in its audacious challenge. Indeed it is quite sensational.

It has, however, serious defects.

It assumes that the increase of burdens must be a benefit to the nation. Consider, that we have the burden of four hundred millions for national revenue, and about as much more for the states. All, then, that we require is to double that burden, and then to appreciate gold to twice its value, and by that means our burdens would be quadrupled. What a simple panacea that is, to be sure.

Then we have only to appreciate gold ten fold, and then to multiply the revenue ten fold and—Behold! The millennium!

But can we not be a little merciful, since he had a "brief" for his clients, and tried to do his best? Can we not say that at *least* it would be a benefit to the workmen to have the purchasing power of their wages increased? Alas! truth forbids. The simple theory has the fatal defect of assuming that manufacturers, merchants, and productive capitalists, generally, would highly enjoy having to sell twice, four times, ten times the goods next year which they sold last year in order to procure the same nominal amount of money, so that they might pay the same wages. And then the theory assumes that the capitalist would be able to sell these increased quantities, and could afford it, and afford to pay the same wages in appreciated gold. The honorable congressman must try again.

Now, it is manifest, that modern bonds have introduced an entirely new element, and new conditions, into civilized society, in this century, with which the world had not to deal before.

We have seen that the public debt of nations has increased in one hundred years from three billion dollars in 1793 to thirty billion dollars in 1889. Of this fabulous sum eighteen billion dollars were for war and armaments. Then, the capital of railways has been increased from three hundred and fifty million dollars in 1840 to twenty-eight billion dollars in 1888.

In addition to this we have an enormous extension of the credit system, which cannot be estimated. This credit is sometimes called a substitute for money. Is that view quite true? And to what extent? Credit, certainly, is a medium of exchange. Exchange of what? Exchange of commodities for money, and money for commodities.

Credit is the postponement of exchange, and facilitates the exchange of money for commodities, and thus is a medium of exchange. But is this postponement of exchange, is the medium of exchange a substitute for the thing exchanged? It does not seem so.

But may not credit be looked upon as a demand in abeyance for either money or commodities? Goods are sold and credit is given. Money must be paid, eventually. That is imperative. The money supply is then admonished to be prepared for a new and imperious demand.

But to increase and to swell the ravenous demand for a thing, is not to provide a substitute for it.

Now, bonds are a form of credit. They are not payable for a long time. But, under one aspect, they are paid in full when they are imported into a country in the course of modern exchanges. They are paid for by a country when they are not due. Of course the person who imports the bonds might say, indignantly, that the country had nothing to do with the transaction at all. Quite true, under one aspect. But under another aspect the country is concerned to study and to ascertain, as far as may be, the effects produced upon the country by any process which

takes place in trade and commerce. Thus it is that when private individuals, in the exercise of their undoubted right, import goods, we say that the country has paid for those goods by exporting goods or money.

If then England, in the first instance, lend, through stock exchange operations, one billion dollars to the United States, and after some time the bonds be imported by Americans, then England has done no service. She has floated bonds at a discount, and is paid at a premium, long before the bonds are due. America has loaned money to herself. England has "got the best" of America.

There seems to be no way by which we can stop, directly, this process carried on by individuals.

We see that in spite of the effort of despair, "the McKinley Bill," we have imported more merchandise than we exported. But it may be argued that if it were not for the bill we would have imported much more. There is some truth in that. Here is the case. The republicans say that they know for sure that if we lower the tariff we will import more foreign goods; and they fear it. The democrats say that they know for sure that if we lower the tariff we will import more foreign goods; and they rejoice at it. Who is there, then, left to deny that if we lower the tariff we will import more foreign goods? There is no one left.

But we must pay for what we import, either in commodities, bonds, bills of exchange, or gold. Under free trade, gold will certainly be shipped, whenever it suits the shippers. There is no doubt about that. But the gold is required here at the same time, not merely as a convenience, but as an absolute, indispensable necessity required by law.

What are we to do in such a predicament?

The protectionists would seem to be the more consistent, if we are to have a gold basis. They say the gold

basis we must have. But long practical experience has shown beyond all doubt that gold will go out under unrestricted or free trade. We must then have some restriction. We must either have the bold and open direct restriction of high tariff, or the covert and indirect restriction of the English Bank Act of 1844. Perhaps the free traders can invent some other restriction, to show that the gold basis does not logically necessitate protection; but, alas, if they adopt a restriction, what becomes of *free* trade?

But the protectionists are defeated in this—that, while under free trade gold must go out, under protection we have seen gold go out just as surely as ever—and a "panic" to "boot."

So that from the arguments of both parties we cannot, even if we would, have a gold basis without ever-recurring disaster.

And, *a fortiori*, we should not have a "convertible" government paper, redeemable in gold. Our proposition may be formally stated thus: 1. A ravenous demand for money is not a substitute for money. 2. But credit is a ravenous demand for money 3. Therefore, credit is not a substitute for money.

Let us bear well in mind that, no matter what material may be adopted for legal money, any and every kind of money must be paid for. To pay for money is to give commodities in exchange for it. If a nation which has no mines of its own requires metallic money, it can only obtain the metal by paying or exporting other commodities for it, or by exporting bonds. To obtain metallic money in this way is manifestly a tax in the first instance. But the uses to which this money is afterwards put, the things which money does, are advantageous or profitable, as all those things which facilitate commerce are profitable. Thus the money raised by public authority to build useful

roads and harbors, is, in the first instance, a tax pure and simple, but by the advantages afforded to trade, the tax then becomes an investment. Such a tax differs essentially from a tax for war or armaments, or from a tax for providing sinecures in the public service, for favorites, or for favored classes. Such taxes are the only real taxes. All levies for the maintenance of the peace, or for the necessary administration of the government, may be said to facilitate commerce, and, therefore, to be profitable, in so far forth as they avert a loss which must otherwise necessarily occur; and we think it fair to infer that there is also some direct profit which cannot be estimated in exact terms. It may be argued, and, in point of fact, the argument has been made, that some war is profitable, and, therefore, not strictly a tax, such as the wars in the early part of this century in which England was engaged. But it is doubtful whether the losses have not exceeded the gains, largely.

In the case of a nation which has its own mines, it seems plain enough that to obtain such money metal as we are speaking of, is, to a great extent, also, a tax in the first instance, and then becomes an investment as already explained.

To buy money in this way seems precisely the same, in effect, in the first instance, as the tax for making bridges and roads, which tax becomes, also, an investment, if judiciously expended. To export the precious metals from the country, then, would, clearly, seem to be the most complete repayment by obtaining commodities in exchange from other countries. But, here, we are met with a difficulty. Money is needed at home. And, we are supposing the money to be metallic. It is, then, clear that, while the metal is paid for in commodities, the needed convenience is gone.

It is as if a farmer bought a horse for fifty dollars, to plow his field, and then sold the horse for fifty-five dollars; he would be as rich as he was before he bought the horse, plus five dollars, but he would have no horse to plow his field, and the work would stand still, and that might mean a very considerable loss.

And the awkwardness would be very plain, indeed, if, in the case above named of a tax for roads and bridges, the roads and bridges were to be taken up, and to be exported, after they had been bought and constructed, at great expense, with a view of facilitating commerce.

It would seem, then, plain enough that when money-metal has been once obtained, that it must be a loss, for some time, to export it, because an instrument needed every day is taken away, until the purchase be made over again. And, perhaps, the price, in commodities, paid for the second importation of money-metal, may be greater than in the first instance. If, then, a practical and efficient substitute for metallic-money can be found, it would seem almost obvious that, instead of a scramble to obtain gold, the wise nations ought to export all they have while there is a market for it and thus obtain a real and an enormous profit. The illustrious John Stuart Mill seems to have admitted this truth and then he failed to follow it up. For, we read, in book III, chapter XIII, section V, page 334, (peoples' edition) of his "Principles of Political Economy": "There is no way in which a general and permanent rise of prices, or in other words, depreciation of money, can benefit anybody, except at the expense of somebody else. (N. B.—We need not accept this.) The substitution of paper for metallic currency is a national gain; any further increase of paper beyond this is but a form of robbery."

Here this illustrious man commits the same fault as other recent writers, of using violent language towards

those who oppose the gold men. We may, however, overlook that, and quietly deny that every issue "beyond this" is, necessarily, "a form of robbery." As for instance, when it reverses a glaring robbery. Just a little beyond might, perhaps, be allowed. It may also be considered as a simple tax. To issue paper money, or gold money, or any money at all is a tax, in the first instance, as we have seen.

It appears to be generally conceded that to merely substitute paper for metallic money makes no change in general prices. It is thought that only when the issue of paper exceeds the mere substitution that general prices rise, or money depreciates.

But we do not want to be understood as encouraging any shovelling out of money, merely to hurt a particular class, and not caring who else we may hurt at the same time.

A depreciation of five per cent, or a rise in the price of commodities of five per cent, would be simply another form of income tax. But there is this vast difference. An income tax is inquisitorial; it can be, and it is always evaded; and it is the proximate cause of much fraud and of reckless perjury.

A tax by expansion of the currency is not inquisitorial; it cannot be evaded; and fraud and perjury—the special accomplishments of the monied classes—are not required by it; a man might perjure himself black in the face but he could not evade the tax.

There is still another point that may be worth considering. Take the case of a country which owns its mines. Let 4 represent the tax to be paid to the government, in gold. Let 10 represent the produce, in the country, out of which the gold has to be bought. Remember, that when the government coins money for those who bring metal to the mint, or coins money which it has bought itself, and when that metal, so coined, has been put into

circulation, for value received, then that country has bought the metal. Now, 4, the tax to be paid, is taken from 10 to pay for the gold which is then delivered. We have then produce 6 plus gold 4. The gold 4 is then paid over to the government for taxes, and, by government, is given or paid over to public servants, and they bring the gold 4 to the producers, and demand produce which is given. We have, then, produce 2 plus gold 4.

But, now, let us suppose another course of transactions. Let 10 still represent the produce. And let the government hand, to the public servants, paper stamped "*legal tender for 4.*" The public servants, then, bring this paper, as they brought the gold before, to the produce supply, and obtain produce as before. Then we have produce 6 plus paper 4; and the paper 4 passes current from hand to hand like the gold before. But the public tax and public servants are paid, and we have paper 4 equals gold 4, and, besides, we have produce 6 instead of produce 2, as in the other case when gold was used. So that we have three times as much produce left, as we had with gold money.

To abstain from taking gold 4, when gold money is in circulation, and, when gold 4 would, otherwise, have to be paid, and to issue paper 4, seems equal to a sudden increase of 8 in the circulation. And, therefore, caution is very necessary. This is not a panacea, for, mark it well, we do not promise the people any substitute for their return to the obedience they owe to God. Without that return to their obedience to God, they can have no peace. Those who promise the people otherwise, mock the people in their suffering, like devils from hell.

To say this does not condone the crime of the financiers against the laboring people, nor obscure the truth that oppression of the poor and defrauding the laborer of

his hire, through legislation, or otherwise, are crimes which cry to heaven for vengeance.

It does not seem quite the same thing to issue paper 4 in the case of a new tax for public profitable works. Because the public would not, in this case, have made preparations to pay gold 4, and would not then be told—to retain gold 4 and that paper 4 would be issued. The effect, then, would seem to be only equal to an increase of 4 in the circulation. In proposing, then, to exceed the mere substitution of paper for metallic currency, we ought to propose it as an income tax, and to moderate it accordingly.

Let it be well understood that such an increase meant an income tax, and the justice and good sense of the community would oppose any violent or excessive inflation.

The public ought to be well satisfied to be rid of the danger of panics, to a great extent, for such panics are caused, chiefly, by an exportation of gold, the fear of a consequent scarcity of gold, the consequent contraction of credit, a sudden rush for gold which cannot, possibly, be obtained, in sufficient quantity, to meet all demands, at once, in all places. Hence, come crashes, and failures, and pitiable distress, and thousands of men are thrown out of work in various countries, caused, in great part, by the fact that gold has been made the only legal money, by arbitrary and unjust legislation.

Now, since it may be claimed, since, in point of fact, it has been and is claimed now, that gold is a financial requisite, if we are to trade with the rest of the world; and whereas, the exports of gold are ascribed to foreign demands, and to an adverse balance of trade; therefore, we may well devote some consideration to this branch of the subject, and endeavor to explain ourselves in simple popular language.

What is this terrible balance of trade which alarms people so much and so often? And who figures up the balance, and what has the nation to do with it? What public officer figures the balance of trade? None. For none could do it. No public officer or private individual can ever tell what private exports of bonds and other remittances are going through the mails.

In ordinary conversation, the balance of trade is intended to signify the difference between the imports and the exports of merchandise. Is it not so? But this ordinary conversation is an ordinary error.

Let us take the "balance of trade," as they call it, from Martin's Statesman's Year Book. In the decade from 1873 to 1882, the United States imported merchandise to the value of $5,572,459,701; and exported merchandise to the value of $6,719,458,759; showing a balance of merchandise exported $1,146,999,058.

Well! did the United States, accordingly, import over a billion of gold? They certainly did not. Here are the exact figures: Exports of specie from 1873 to 1882, $487,605,449; imports of specie from 1873 to 1882, $423,740,665; excess of exports, $63,864,784.

Now take from the same book the so-called "balance of trade" for England. Total imports, for same decade, $18,897,961,650; total exports, for same decade, $13,958,672,355; apparent "balance of trade" against England, $4,939,288,295.

Thus England with an apparent "balance of trade" against her, imported gold; but the United States with an apparent "balance of trade" in her favor had to export, or rather did export gold.

It was not necessary to export gold. The export of bonds, wheat, and bills of exchange would have been just as good. If any man wants to pay gold in London he has only to send over there bills, or bonds, or wheat, or some

other commodities, and direct the person to whom they are sent to pay the money into a bank named in London, and then a check can be sent to the person to whom payment is to be made and he can present the check at the London bank, and the chances are about a million to one that then the person will not take gold when he can get it.

The reason why gold is sent is because an American exporter, in New York, does not care whether the whole United States goes to destruction so long as he can save a little percentage.

But where there is real necessity to pay abroad, means can be found by paying enough commission here, and the export of gold is not a necessity.

Professor Fawcett explains the process as follows: "If this expense, of transmitting specie, were two per cent it would of course be to the advantage of the English merchants to purchase bills in France, even if they paid one and a half per cent premium for them; if bills were bought at this premium it would be cheaper by half per cent to make payments to France by means of these bills, instead of transmitting specie, which involves an expense of two per cent. English merchants, therefore, will compete for the purchase of bills drawn on France, and thus competition will inevitably raise these bills to a premium which is approximately equivalent to the expense of transmitting specie to France. The premium on bills cannot exceed this amount, because if it did so, then it would be cheaper to transmit specie than bills."

This shows that English exporters of gold are no better and no worse than Americans. They are both actuated by the same motive, their own individual gain, no matter what it might cost the nation.

Thus the whole commerce of a mighty republic of sixty-five million people must be shaken to its foundation to suit the affairs of a few paltry dealers in New York, and

the theories of musty doctrinaires. What a magnificent system!

This country is rich, but the toiling millions of American citizens can not stand this terrible, everlasting strain. They must needs uprise against it. England is enabled to draw from America a tribute such as she could never exact by war.

Further, the adherence to the gold basis entails the robbery of high tariff until some other means can be devised to maintain gold reserves.

For with freedom of trade, by ordinary "economic law," gold would, naturally, leave the country, whenever shippers saw a greater profit, even though small, in sending away gold to Europe, rather than pay premium on bills of exchange drawn on London, Paris, Berlin, and Vienna.

But, the American law says, practically, that gold must not go out in accordance with economic law, and requires one hundred millions reserve in the treasury—a stupid waste—and some three hundred millions more to be kept as reserve in banks, and furthermore, that all debts must, eventually, be paid in gold, for which purpose gold must be kept here.

Thus economic law, and American law, are in hourly conflict.

And this whole arrangement exists at the dictation of a clique of financiers whose dictation should not and need not be tolerated by a self respecting and independent people.

But the existing strain in America and in Europe, which has been with us for ten or fifteen years, more or less, must continue if the system is tolerated. It involves even the question—are the people to rule this country or not? Behold in a world-wide slavery the fruits of so-called modern enlightenment! It was not the church

brought this slavery, for the church has ruled no country for over a hundred years.

Gold must still more and more appreciate; until the arbitrary and fraudulent legislation, which is responsible for the appreciation of gold and the depreciation of silver has been reversed.

The demonetization of silver; the Baring Bros. and Argentine trouble; the bank failures in Australia; the enormous armaments and preparations for immediate war in Europe; the closing of the India mints to silver; and the demand of Austria for gold, by the issue of one hundred and eighty millions of gold bonds, are the causes of the appreciation of gold, and the strained financial condition.

And yet there are some who propose an issue of gold bonds!

To issue gold bonds would still more appreciate gold.

To lower the value of gold we must set gold free from the restrictions of reserve clauses, and deprive gold of its exceptional legal tender privilege. Then we should "corner" silver, by the issue of bonds to be given for silver, and which could be issued at a premium, perhaps, instead of a discount as is the case with gold bonds; about five hundred millions would, perhaps, suffice.

Then we could see more intelligently about a ratio. We could, probably, join with France and Russia, and the Latin Union and the South American republics in free coinage of silver at a ratio of fifteen and one-half to one. To make the ratio sixteen to one would only be to repeat the stupidity or fraud of 1834.

If France were to coin at a ratio of fifteen and one-half to one, and America were to decide on sixteen to one, that would be just the same as to say that America would not coin silver at all. For the silver would natuarally go to where one ounce of gold was given for only fifteen and one-half ounces of silver, rather than be sent to the Amer-

ican mints when the owners would have to give sixteen ounces of silver for one ounce of gold.

We have about $1,954,000,000 in national, state, city, county, and school bonds. We could consolidate and convert that debt and call it "The United States Funded New Threes." Make it then a permanent national debt. The future generation can bear it better than this. Moreover, the sinking fund employed in profitable public works, such as canals, harbors, irrigation, railroads in the West and South and Northwest, would clearly pay more than the interest saved.

This would give thirty-eight millions a year in reduced interest; and about two hundred millions a year by the abolition of the sinking fund, no small present relief to an overburdened people.

This would not be against State Rights. It would be an affirmation and a confirmation of State Rights. It would affirm the right of the several states to derive direct benefit from the Union by being able to borrow at the lowest rate.

It has the practical precedents of "Consolidation and Conversion" in France and England and the United States itself. Then legal tender paper money could be issued for all the paper now outstanding, so as to have one uniform currency as legal tender. This to be full legal tender, not redeemable legal tender, which is a deliberate deceit. As we said, before, convertible paper is not money, nor a substitute for money, it is a demand for money, and it must be redeemed in money.

The "United States Funded New Threes" would, then, be a permanent basis for the issue of Treasury Legal Tender money, to the banks, as called for on the said collateral, subject to a graduated tax, and said Treasury Notes to be Legal Tender for all debts, without any exception whatever. In this new position, the banks need no longer be required to keep any gold reserve whatever, as Treasury Notes would be full legal tender for deposits, and would never run short on account of any financial trouble in

Europe. We would be quite independent of Europe as we should be. Our finance would then be "run" on the American plan, not on the English plan as heretofore.

A disturbance in Europe, and the outflow of gold would not then require a contraction of credit throughout the United States, as at present. At present we cannot breath or sneeze, financially, without the gracious permission of Europe, and there is no more humiliating sentence uttered in the hearing of Americans, than that we see every day in our unpatriotic press, "Europe will not buy our securities," if you please. It is America has the real wealth, not Europe.

Then we could let loose the stupid one hundred million gold reserve, by building floating forts and fast cruisers, for the defence of our defenceless coasts. Then we might have a graduated tax on the number of acres, held in excess of a fixed maximum allowed to small landowners free of land tax. Then we could coin all our silver. Then we could divide the silver equally among the states in reduction of taxation; and this help to the Western and Southern States would make them better customers of the Eastern States. Then we could remove the "Chinese Wall" and enjoy all the trade of the South American Republics. Then we could appoint a National Holiday in Thanksgiving for at least some measure of justice!!!

Ah! there is abundant opportunity, in safe and well known paths, for enterprising legislation, in declaring war against the earth, and compelling it to bring forth fruits in abundance, rather than declaring war against a nation and murdering hundreds of thousands of our fellow men. Let justice in legislation prevail, let religion filter gently through all the strata of society. Once more, in fine, let us remember that "it is in this as in the Providence which governs the world, results do not happen save where all the causes cooperate." This is what the church means when she says: "Send forth Thy Spirit, O Lord, and Thou shalt renew the face of the earth."

MICHAEL CORCORAN.

FRIDAY, SEPTEMBER 1st, 1893.